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INCOME AND FEES

of Accountants in Public Practice

A 1981 SURVEY REPORT BY THE NATIONAL SOCIETY OF PUBLIC ACCOUNTANTS

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INCOME AND FEES

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A 1981 SURVEY REPORT

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Highlights . . .

from

INCOME AND FEES
of Accountants in Public Practice
1981 NSPA Survey Report

- Median GROSS income of the independent professional accounting firm is $63,000 for 1981, $58,000 for 1980 and $52,000 for 1979.
- Median NET income is $31,000 for 1981, $29,000 for 1980 and $25,000 for 1979.
- The median number of write-up accounts per firm is 31; median number of accounting clients is 10; median number of audit clients is 5.
- The average firm earns 37% of its income from tax services, 42% from write-up work, 14% from accounting, 3% from auditing, 3% from management advisory services, and 1% from other sources.
- Approximately 57% of all income of the typical accounting firm is derived from fixed fees.
- Average hourly rate for write-up work is $26, for accounting $34, for auditing $41. Average hourly fee for management advisory services is $43.
- Average charges for completing income tax returns: 1040 not itemized, $29; 1040 itemized, $70; 1065 partnership, $159; and 1120 corporation $258.
- About 52% of all respondents rent office space; 26% own individually or with others their office building; 22% use their home for an office. Average monthly cost for renting is $385.
- 35% of all respondents use a computer service bureau for preparation of tax returns, but 56% use the computer for accounting or other services.

(See Highlights Table on pages 4 and 5.)

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Foreword

This is the fifth nationwide all-member Income and Fees Survey undertaken by the National Society of Public Accountants. The program is evolving into a periodic analysis of trends in the economic aspects of a public accounting practice.

The response in 1981 by NSPA members to the survey questionnaire was even greater than in 1978, and clearly indicates not only a spirit of professional cooperation, but also a keen and practical need for the types of data available in this survey report. These survey statistics about the economics of the public accounting profession are primarily intended for the internal use of practitioner firms and the public generally.

We wish to acknowledge here the support of Commerce Clearing House, Inc., whose assistance enabled us to publish this report. We invite your attention to their full-page advertisements on the inside front and inside back covers of this book.

We also wish to acknowledge with appreciation the outstanding services rendered by Sue and Carl Priestland of Priestland Associates, Alexandria, Virginia, who served in a professional consulting capacity in the development of the questionnaire, and who provided the analysis and interpretation of the data obtained by computer.

And finally, deep thanks must also be extended to the National Society's members who cooperated so splendidly in this significant survey project. Their prompt and enthusiastic response was an indispensable contribution.

Alexandria, Virginia
December, 1981

Stanley H. Stearman
Executive Vice President

Introduction

This is the fifth Income and Fees Survey of the membership of the National Society of Public Accountants and is part of a continuing program to provide members with a great variety of information on income, fees and practice characteristics of accountants in public practice in the United States. The latest figures update the four previous studies done in 1969, 1972, 1975, and 1978. The current survey covers approximately the same areas as the previous studies, resulting in a substantial amount of comparative information showing trends during the last 14 years.

The changes in this year's report are of three types. First, some of the tables have been changed to achieve greater consistency in reporting. Certain tables in previous reports showed both medians and averages for fees, income, etc. The current report shows only one measure of the middle value—either median or average, but not both in the same table. The measurement reported is the one determined to be the most important for that table.

The second change in this report is the addition of a table on the Profile of the Accountant responding to the survey. This covers such characteristics as licensing, practice before the IRS, education, age and gender. These tables add to our information about the backgrounds of the people reporting in this survey.

Third, the number of the tables has been changed to make the division of information more comprehensible. All the information obtained from the survey is contained in this report, as was the case in all previous reports.

Approximately 16,000 questionnaires were mailed to NSPA members. More than 4,400 members responded, giving a 28% return. Because of the outstanding response to this survey, it is felt that the results are truly representative of the incomes, fees and practices of public accountants in the United States.

The latest survey actually reports the responses of 3,378 respondents. The majority of questionnaires not used came from part-time practitioners. There were also many questionnaires which were received too late to be included in the sample. A copy of the questionnaire is shown at the back of this report.

Types of Data

The NSPA Member Income and Fees Survey covers six general areas of interest to all practicing accountants: (1) tax return fees and policies, (2) number of clients, (3) income by type of service, (4) hourly billing fees of principals, employees, and type of service performed, (5) office facilities and data processing use, and (6) gross and net income, together with employee cost and expense levels as well as some general characteristics of the sample.

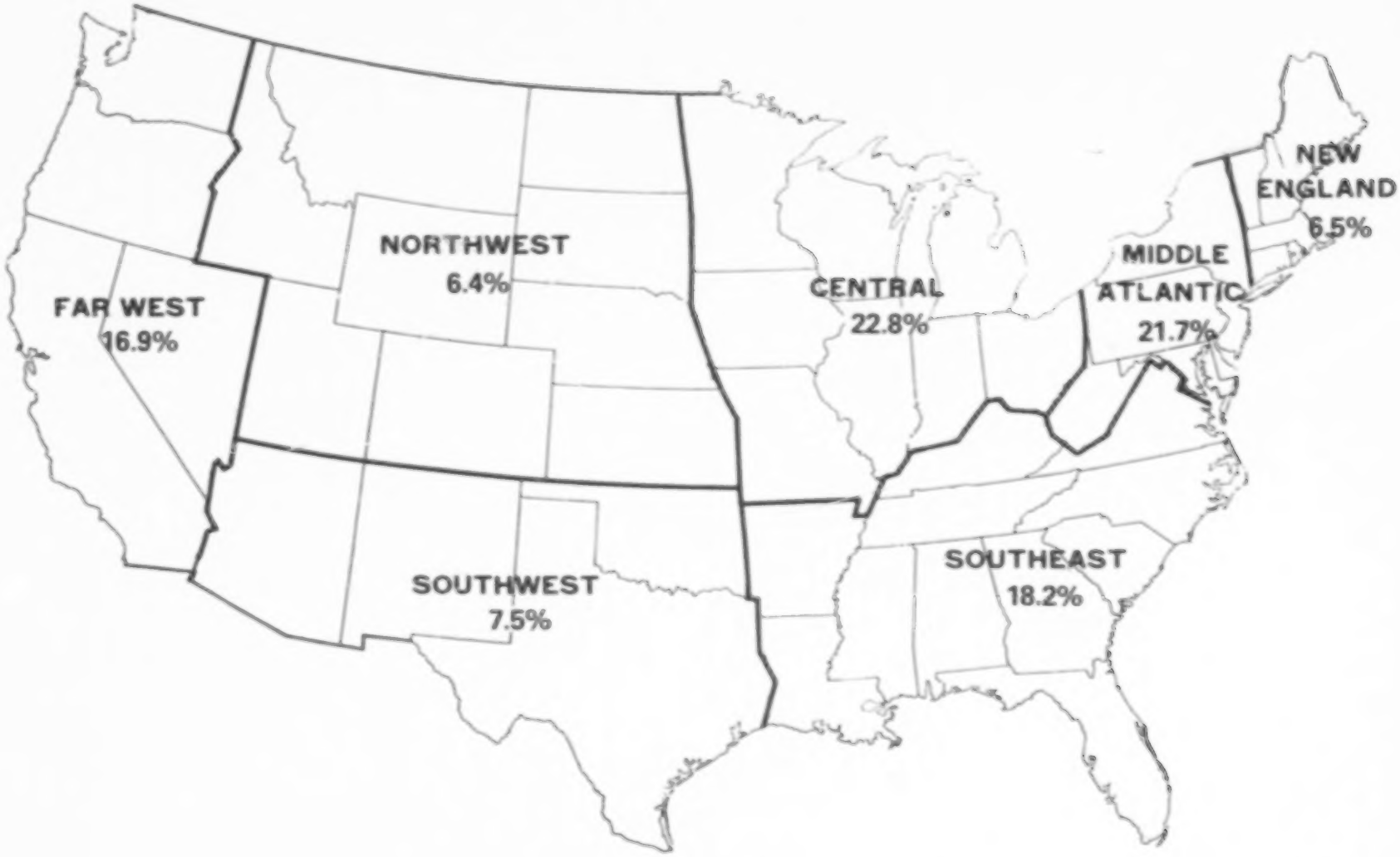
Data are presented in three distinct ways. Information dealing with procedures, i.e., "yes-no" questions, is reported by the number of respondents answering the question. Data on fees and incomes are shown in averages or medians. The average of an hourly fee, for example, is the mathematical sum of all fees reported, divided by the number of fees reported. For all hourly fees the average is used.

In the case of income data and number of clients, the median is employed. The median is the center value in any series of numbers. For example, if numbers are listed from one to 25, the midpoint would be 13. Thirteen, then, is the median value, because 50% of the numbers of the sample are below 13 and 50% are above. The median is used when there is a wide range of data and extremes would distort the average.

The data in all of the tables of this report are for the firm. For purposes of this study, a sole practitioner is considered a "firm." Each of the returns represents the fees, income and practices of one firm. When a member was not a principal of the firm, he was requested not to return the questionnaire; thus, generally only one questionnaire was completed per firm; the principal of a proprietorship and the senior partner of a partnership usually filled out the questionnaire.

Reporting and analyzing data of the whole sample are only a small part of this study; the major part is analysis of the data in eight different ways: by seven geographical regions, nine major metropolitan areas, six sizes of cities in terms of population, size of firm, number of full-time employees of the firm, the firm's gross and net income, primary source of firm's income and by years in public practice of the principal.

DISTRIBUTION OF RETURNS BY GEOGRAPHICAL REGION



In order to present the data with greatest clarity, each table is divided to show all the variations of one question or fact separately. For example, Table 1 shows the minimum and average fees charged for Forms 1040, 1065, and 1120 tax returns by the total sample and by geographical area, population size, firm size, etc.

The map of the United States indicates the distribution of returns received from NSPA members and used in the survey report. The smallest number of returns from any one region is 218 from the Northwest. The highest number is 769 from the Central region. All regional data can be considered as representative of their areas, since all regions contain a sufficiently large number of responses.

All the statistical information obtained from the questionnaires is reported throughout this survey report. In addition, some of the most important findings have been highlighted in another type of presentation in this report.

- There are nine charts which give a graphic presentation of the data which are found in some of the tables and described more fully in the respective chapters. (See Figures 1 through 9.)
- There is a special Highlights Table on the following two pages which summarizes some of the most important facts contained in the entire survey report.

The survey form used for the current study is almost the same as for the 1978 study with a slight change in the dollar groupings for gross and net income in questions D and E on page 1 of the questionnaire. The other change to the questionnaire is the addition of questions on personal characteristics of respondents.

Highlights Table

This double-purpose table is a quick reference to some of the more important findings of the study. It contains selected data from the body of the study presented by survey totals and geographical regions. It also gives the practicing accountant an idea of the extensive information which he can obtain from the study. However, the Highlights Table is not intended to replace careful inspection of the data in the following 20 tables, since only selected data delineated by region are reported in the Highlights Table.

In one glance at the Highlights Table, the practicing accountant can see, for instance, that the average charge for a Form 1040 not itemized is $8.00 more in the Far West region than in the nation as a whole, and that 30% of the accounting firms in the Southwest region charge a separate fee for state and/or local income tax forms, while on the average only 20% of all accountants reporting in the survey did so. There are many such comparisons possible in the Highlights Table.

While it is not possible to point out all the interesting facts in the Highlights Table in this introduction, it is worthwhile to look at the figures and note whether regional differences affect them. For example, fees charged for tax returns are definitely influenced by region. In two tax return categories, the Far West region has the highest average fees, and in three of the four categories, the Central region has the lowest average fees. The proportion of accountants charging a separate fee for state and/or local tax returns varies from 15% in the Middle Atlantic to 30% in the Southwest region.

The median number of clients by type of service* varies, but the greatest difference is found in write-up clients. In New England, half of the reporting accountants have more than 26 accounts and half have less. In the Central region, the median number of write-up clients is 39. All fee and income data vary by region. In fact, almost all the data presented in this table show regional variations.

**Write-up clients are characterized as those for whom the practicing accountant provides a bookkeeping service, i.e., journals, ledgers, payrolls, etc., and prepares periodic financial statements. Accounting clients are those having a bookkeeper on their premises, with the accountant beginning his service by working from a pre-adjusted trial balance. For audit clients the accountant inspects their records to provide analyses, test reports, confirmations, proofs, opinions or disclaimers.*

Highlights of the Income and Fee Survey

	Survey Totals	REGIONS						
		New England	Middle Atlantic	Southeast	Central	Northwest	Southwest	Far West
Average fee charged for tax returns								
1040 Not itemized	$ 29	$ 27	$ 31	$ 26	$ 26	$ 28	$ 30	$ 37
1040 Itemized	$ 70	$ 57	$ 77	$ 61	$ 57	$ 61	$ 68	$ 96
1065 Partnership	$159	$165	$188	$138	$132	$142	$158	$187
1120 Corporation	$258	$312	$310	$222	$225	$223	$221	$289
One fee for federal & state/local returns	80%	81%	85%	73%	84%	82%	70%	84%
Separate fees	20%	19%	15%	27%	16%	18%	30%	16%
Additional fee charged if IRS audit	75%	73%	78%	70%	76%	70%	78%	77%
Not charged	25%	27%	22%	30%	24%	30%	12%	23%
Median No. of clients (exclusive of annual income-tax clients)								
Write-up accts.	31	26	29	31	39	29	30	29
Acctg. clients	10	13	10	9	9	9	7	9
Auditing clients	5	6	6	5	6	5	4	5
Distribution of gross income by billing								
Fixed fee	57%	54%	63%	61%	57%	37%	59%	50%
Hourly fee	41%	45%	36%	36%	41%	61%	38%	48%
Other	2%	1%	1%	3%	2%	2%	3%	2%
Average hourly fees								
Write-up accts.	$ 26	$ 24	$ 27	$ 25	$ 25	$ 23	$ 29	$ 29
Accounting clients	$ 34	$ 34	$ 36	$ 32	$ 32	$ 29	$ 35	$ 39
Principals' billing date	$ 39	$ 37	$ 41	$ 36	$ 36	$ 33	$ 39	$ 48
Monthly average fixed fee	$131	$145	$140	$110	$114	$138	$147	$153
Firm performs management advisory services	52%	51%	50%	47%	56%	56%	54%	55%
Does not perform	48%	49%	50%	53%	44%	44%	46%	45%
Average hourly fee for mgmt. advisory services	$ 43	$ 40	$ 46	$ 41	$ 39	$ 37	$ 42	$ 50

Highlights of the Income and Fee Survey

	Survey Totals	REGIONS						
		New England	Middle Atlantic	Southeast	Central	Northwest	Southwest	Far West
Office facilities and average rent								
Own office building	26%	19%	21%	32%	32%	27%	30%	21%
Office rented	52%	50%	47%	53%	50%	53%	58%	59%
Office in home	22%	31%	32%	15%	18%	20%	12%	20%
Aver. mo. rent	$385	$363	$394	$317	$398	$343	$376	$445
Use data processing equipment for other than tax returns	56%	43%	41%	61%	60%	62%	65%	60%
Do not use it	44%	57%	69%	39%	40%	38%	35%	40%
Firm owns equipment	59%	51%	49%	66%	57%	67%	75%	52%
Leases equipment	7%	8%	5%	6%	8%	9%	4%	9%
Uses service bureau with input equip. in office	9%	6%	6%	11%	12%	6%	4%	12%
No input equip. in office	25%	35%	40%	17%	23%	18%	17%	27%
Median net income								
1979	$26,000	$25,000	$28,000	$23,000	$ 28,000	$ 25,000	$25,000	$30,000
1980	$30,000	$29,000	$31,000	$26,000	$ 31,000	$ 28,000	$28,000	$32,000
1981	$32,000	$31,000	$34,000	$28,000	$ 32,000	$ 31,000	$31,000	$37,000
Median net income share per partner								
1981	$33,000	$34,000	$40,000	$29,000	$ 30,000	$ 38,000	$23,000	$37,000
Median net income 1981 by size of firm								
Proprietor with no full-time employees	$22,000	$21,000	$25,000	$20,000	$ 20,000	$ 20,000	$21,000	$25,000
Proprietor with full-time employees	$33,000	$33,000	$37,000	$29,000	$ 34,000	$ 35,000	$33,000	$41,000
Two partners	$55,000	$61,000	$67,000	$43,000	$ 51,000	$ 70,000	$47,000	$58,000
Three or more partners	$92,000	*	$92,000	$81,000	$103,000	$101,000	$44,000	$82,000
Professional Corporation	$41,000	$49,000	$41,000	$37,000	$ 43,000	$ 30,000	$36,000	$45,000

Description of Table Construction

Before turning to the specific data on the tables, it would be helpful to examine their make-up. Information on each subject is reported for all returns and in most cases by each of eight separate characteristics. It should be noted that most of the totals for the eight characteristics add to the total number of returns analyzed (3,378). In the case of the number of firms by years in practice, the number is 54 lower than 3,378 because of 54 respondents who did not answer the question on years in practice. In two other cases—metropolitan areas and number of employees of the firm—the analysis of the data is limited to a specific portion of the total returns.

Most of the tables are reported on two pages because of the amount of data reported for each question. The first page of a table contains data by region, by metropolitan area and by population. The second page presents the same data reported by the size of the firm and by number of full-time employees, by primary source of income, by gross income, and by the number of years the principal of the firm has been in public practice.

Data from respondents are classified by seven geographical areas, nine metropolitan areas, and six population sizes of cities (see Table 1, for example). The map in the introduction shows how the U.S. is divided into seven regions. All respondents were requested to report the population size of the city in which their practice is located. If their practice is within a metropolitan area, such as New York City, they were asked to report the population of the metropolitan area rather than that of the city where the office is situated. There are 755 returns from firms with practices in cities having a population of one million or more. Of these, 511 are from the nine major metropolitan areas chosen to be reported separately for this study.

The second page of the tables used to report most of the data from each question shows a breakdown by five additional characteristics. The first characteristic listed is the size of the firm in terms of organization, i.e., proprietorship and partnership. The reporting firms are classified into five groups: proprietorship firms with no full-time employees, proprietorships with full-time employees, two-partner firms, and three-or-more-partner firms. In addition, it became possible to report the data by professional corporations in this study. Two hundred ninety-three such firms are a part of this year's respondents.

Next, the data are reported by the number of full-time employees in the firm. Because the number of part-time employees varies widely among the firms, it is necessary to limit the analysis to a comparison of data for firms employing only full-time personnel. There are some partnerships that do not have full-time employees. Almost all of these firms are two-partner firms with only part-time help.

All 3,378 returns are classified by gross income for 1981. Since all answers pertain to 1981 practices, the estimated 1981 income data are used to show relationships between income and fees and practices.

Since the type of service offered by an accountant reflects differences in fees and practices, the returns are classified by the major revenue of the firm. If a firm receives 50% or more of its gross income from tax services, it is so classified. If it receives 50% or more of its income from accounting or write-up work it is classified thus. Firms not primarily in the first two groups, plus all those firms primarily engaged in auditing, are classified in the third group.

Experience is also thought to be a significant influence on fees and practices. All respondents, but 54, reported the number of years they have been in practice. This excludes time worked for others.

CHAPTER I

Income Tax Return Fees and Practices

Those accountants whose practices are oriented principally to tax services will find this chapter of the report of particular interest. The minimum and average fees charged for completing individual (1040), partnership (1065) and corporate (1120) federal income tax returns are reported in considerable detail.

The coverage of these fees is also discussed, i.e., whether or not the fee includes the cost of filling out state and/or local income tax returns. The handling of IRS audits and the fees charged for representing clients are also covered in this chapter.

Tax Return Fees

Fees charged by respondents for tax returns are reported in Table 1. Respondents were requested to report two fees for each of four tax returns: the first is their minimum charge, the lowest fee they generally accept to complete the tax return for a client; the second fee is the average fee received for completing a given tax return.

For all respondents, the average minimum fee for a Form 1040 not itemized is $24, while for a 1040 itemized the minimum is $44. The minimum charge for a partnership tax form (1065) is $110 and $168 for a corporate tax form (1120).

The minimum fees for all four tax forms have continued to rise at an increasing rate. In 1969 the minimum for a 1040 not itemized was $9, $11 in 1972, $14 in 1975, $18 in 1978 and $24 in 1981. The percentage increases for all the tax form minimum charges show increasing or equal growth for the 1972–1981 period.

Average charges have also continued to increase at increasing rates in the latest survey. The average charge for a 1040 itemized ($70) is 37% above the $51 average reported in the 1978 study. The smallest increase in average charges is the 27% increase in Form 1120 (corporation) which is now $258. This is an increase of $55 in the average 1120 charge in three years.

The Middle Atlantic and Far West regions continue to report the highest fees among the regions for both minimum and average charges. The Central region has generally reported the greatest number of low averages, although the Southeast and the Northwest have also reported several low averages.

Most of the nine metropolitan areas listed in the study have higher fees than the overall averages, a fact corroborated in the data regarding population size. In areas with one million or more population, both minimum and average fees are higher than in areas with smaller populations. For some of the cities listed, particularly Chicago, Detroit and Minneapolis-St. Paul, the minimums and averages are not higher than the overall figures in many cases.

As the size of the metropolitan areas increases, the fees for completing these tax returns rises also. There are some exceptions to this pattern, but no generalization can be established.

In all cases two-partner firms charge fees higher than proprietorships with full-time employees. Average fees of professional corporations tend to be among the highest reported, but the pattern is not consistent throughout the eight figures reported. In terms of number of full-time employees, the fee generally increases with the number of employees.

With only two exceptions minimum fees increase as the gross income of the firm increases. There are more exceptions to this general pattern in average fees, which nevertheless do increase with increasing gross income most of the time. As was the case in the previous study, the average fees charged by firms with $200,000 or more gross income are significantly higher fees than those with gross incomes of $100,000 to $199,999.

Tax service firms have the lowest minimum and average fees of the three types of firms listed, with the exceptions of average fee for Form 1065 and Form 1120. Firms in the "other (incl. auditing)" category charge the highest fees for all types of tax forms.

Generally it is correct to say that fees increase as the number of years in practice increase. There are several minor exceptions to this pattern.

Figure 1 shows a percentage distribution of the average charge for Form 1040 itemized. The single largest group, 24%, charge $51 to $75. The two smallest groups, each with 13%, charge the most, $76 to $100, and over $100.

State and Local Income Tax Fees

Table 2 shows the number of respondents having a policy on combination fees. Eighty percent of the reporting firms (2,670 or 3,325) indicate that their reported fee includes a charge for filling out any state and/or local tax returns. In the metropolitan areas there is a very high percentage of respondents charging one fee for filling out tax forms at all governmental levels. The percentage ranges from 97% charging one fee in Minneapolis-St. Paul to 73% charging one fee in Clevelend.

The percentage charging one fee in all the areas with populations under one million ranges from 77% to 80%. In areas with populations over one million, the percentage increases to 89%.

The primary source of income does not appear to have any influence on whether a firm charges one fee or a separate fee for the various tax forms. The number of years in practice does not show a constantly increasing percentage charging one fee as the number of years increases. Those with 1–4 years in practice have the lowest percentage charging one fee—75%.

About 90% of the 655 firms with a separate fee for state and local tax returns generally charge a specified set fee. Only 43 respondents indicate they base their fee for a state or local return on a percentage of the charge received for completing the federal form. The percentage charging a specified fee was 85% in 1969, 88% in 1972, 86% in 1975, 88% in 1978 and 90% in the current survey.

IRS Audit Practices and Fees

The survey questionnaire requested data on practices regarding IRS audits (Table 3). Seventy-five percent of the reporting firms (2,510) indicate that they would charge a separate fee to represent a client in the event of an IRS audit. Some of the respondents indicate that if the audit was the result of their mistake, there would be no charge to the client.

A large majority (90%) of firms charging for IRS audit representation bill their clients on an hourly basis. The average fee of 2,269 respondents charging by the hour is $39, up 30% from an average fee of $30 in the previous survey. The increase in the hourly fee between 1975 and 1978 was 25%, from $24 to $30.

The fixed fees charged for IRS audit representation (Table 3) vary widely. Some of the 241 respondents using a flat fee state that they charge a fixed fee for writing or calling the IRS about a client's audit. If they have to go to the IRS office, they charge an extra fee or by the hour. It is probably incorrect to say that the average fixed fee of $99 is meaningful, since some fees reported are considered "minimum" fixed fees, while other firms have different fixed fees for each type of representation.

The level of gross income of the firm has some influence on whether a firm charges an additional fee for IRS audit. As gross income increases, the percentage of firms charging a separate fee increases. Firms whose primary source of income is from tax services are the least likely to charge an additional fee for IRS audit.

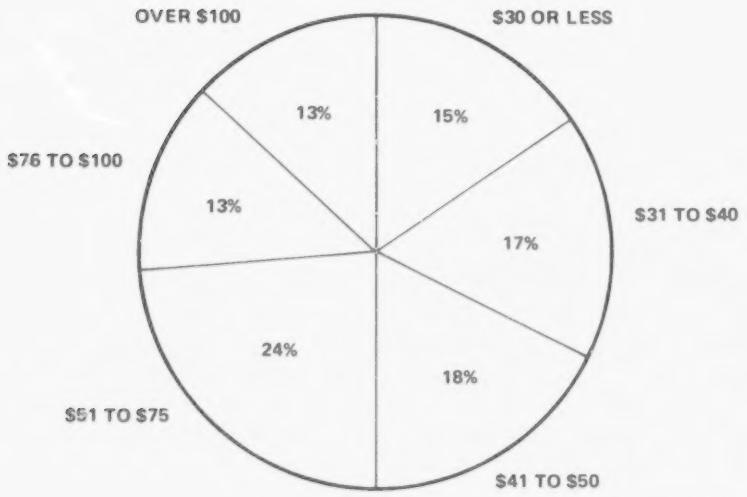


FIGURE 1. PERCENTAGE DISTRIBUTION OF AVERAGE CHARGE FOR FORM 1040 ITEMIZED

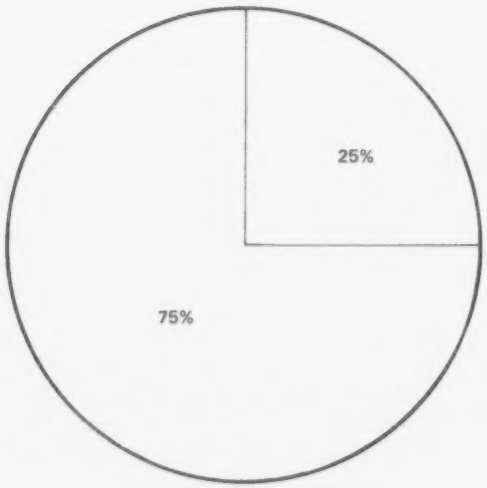


FIGURE 2. ADDITIONAL FEE CHARGED IN EVENT OF IRS AUDIT

TABLE 1

Average Fees Charged for Federal Income Tax Returns by Selected Characteristics of Public Accounting Firms

		No. of Returns	Minimum Charge				Average Charge			
			1040 Not Itemized	1040 Itemized	1065 Partnership	1120 Corporation	1040 Not Itemized	1040 Itemized	1065 Partnership	1120 Corporation
			$	$	$	$	$	$	$	$
Average	1972	2,385	11	20	48	86	14	32	70	137
	1975	2,708	14	25	62	105	17	39	88	165
	1978	3,175	18	32	80	129	22	51	117	203
	1981	3,378	24	44	110	168	29	70	159	258
Geographic & Population Data										
Region										
New England		219	23	39	118	202	27	57	165	312
Middle Atlantic		733	26	49	136	208	31	77	188	310
Southeast		615	21	38	97	144	26	61	138	222
Central		769	20	38	90	142	26	57	132	225
Northwest		218	20	37	90	132	28	61	142	223
Southwest		254	23	42	106	143	30	68	158	221
Far West		570	31	58	126	186	37	96	187	289
Metropolitan Area										
Chicago		59	22	42	107	157	28	64	152	226
Cleveland		27	25	57	106	168	31	93	160	264
Detroit		52	26	43	111	171	30	65	149	245
Los Angeles		97	35	73	148	209	42	127	227	342
Minneapolis-St. Paul		31	20	51	114	159	25	74	167	276
New York		151	34	63	185	241	40	106	234	329
Philadelphia		39	24	43	141	237	30	71	193	330
San Francisco		26	42	76	125	196	51	121	191	287
Washington, D.C.		29	32	77	113	168	37	100	166	233
Population Size										
Under 25,000		869	20	34	87	140	26	52	133	232
25,000 to 49,999		409	23	41	103	165	28	63	150	254
50,000 to 99,999		412	24	43	112	174	29	68	162	265
100,000 to 499,999		617	23	43	107	164	29	69	157	257
500,000 to 999,999		316	25	49	126	184	31	79	172	278
1,000,000 or more		755	29	56	137	194	35	92	190	282

TABLE 1 *(Continued)*

Average Fees Charged for Federal Income Tax Returns by Selected Characteristics of Public Accounting Firms

	No. of Returns	Minimum Charge				Average Charge			
		1040 Not Itemized	1040 Itemized	1065 Partnership	1120 Corporation	1040 Not Itemized	1040 Itemized	1065 Partnership	1120 Corporation
Size of Firm									
Proprietor with no full-time employees	1,160	23	42	108	165	28	67	151	241
Proprietor with full-time employees	1,342	24	43	109	165	29	67	158	259
Two partners	468	25	47	110	171	32	77	163	275
Three or more partners	115	27	48	109	173	34	77	179	302
Professional Corporation	293	27	52	126	183	32	82	179	277
Employees of Firm									
One full-time employee	797	24	44	109	163	28	67	158	253
Two full-time employees	501	25	44	112	173	31	70	164	266
Three full-time employees	335	24	46	118	182	29	74	170	285
Four or more full-time employees	385	28	49	112	167	34	79	173	287
Gross Income									
Under $20,000	155	19	33	81	129	25	49	105	172
$20,000 to $29,999	328	19	36	91	143	24	53	123	207
$30,000 to $39,999	382	20	37	99	150	26	57	135	214
$40,000 to $49,999	339	22	39	103	159	28	63	153	233
$50,000 to $59,999	316	22	41	107	159	26	61	147	238
$60,000 to $74,999	415	23	45	114	173	29	74	165	266
$75,000 to $99,999	466	24	45	118	170	30	70	165	274
$100,000 to $199,999	686	27	50	121	191	33	81	180	301
$200,000 or more	291	33	60	129	189	39	99	206	320
Primary Source of Income									
Tax services	1,001	23	41	104	162	29	67	159	263
Accounting and write-up	2,323	24	45	113	169	30	69	158	254
Other (incl. auditing)	54	33	72	143	233	39	136	237	383
Years in Practice	3,324								
1 to 4 years	344	24	44	106	146	30	68	153	234
5 to 9 years	639	24	44	118	168	30	68	166	251
10 to 14 years	561	22	43	112	166	28	68	160	249
15 to 19 years	376	23	44	102	168	28	68	150	265
20 to 24 years	454	24	43	105	165	29	68	154	255
25 to 29 years	348	25	44	110	171	30	70	162	265
30 or more years	602	25	45	110	179	31	77	159	282

TABLE 2

State and Local Income Tax Return Fees by Selected Characteristics of Public Accounting Firms

		Charges for Preparation of Federal, State, and/or Local Income Tax Returns				
					If Separate, Fee is:	
		One Fee	Separate Fee	No Answer	Specified	% of Fed. Return
		No.	No.	No.	No.	No.
Survey Totals	1972	1,825	514[1]	46	452	54
	1975	2,095	569[2]	44	491	56
	1978	2,517	623[3]	35	550	56
	1981	2,670	655[4]	53	587	43
Geographic & Population Data						
Region						
New England		175	40	4	35	3
Middle Atlantic		616	109	8	97	7
Southeast		441	166	8	152	11
Central		638	124	7	115	5
Northwest		177	38	3	34	1
Southwest		154	87	13	81	2
Far West		469	91	10	73	14
Metropolitan Area						
Chicago		55	4	0	2	1
Cleveland		19	7	1	5	1
Detroit		44	7	1	7	0
Los Angeles		90	4	3	4	0
Minneapolis-St. Paul		30	1	0	0	0
New York		141	8	2	6	2
Philadelphia		31	7	1	7	0
San Francisco		24	2	0	1	1
Washington, D.C.		24	4	1	2	1
Population Size						
Under 25,000		659	201	9	181	14
25,000 to 49,999		325	79	5	70	5
50,000 to 99,999		319	84	9	76	5
100,000 to 499,999		467	140	10	128	8
500,000 to 999,999		245	68	3	62	3
1,000,000 or more		655	83	17	70	8

[1]The separate fee data do not add to this total because of eight who did not answer.
[2]The separate fee data do not add to this total because of twenty-two who did not answer.
[3]The separate fee data do not add to this total because of seventeen who did not answer.
[4]The separate fee data do not add to this total because of twenty-five who did not answer.

TABLE 2 *(Continued)*

State and Local Income Tax Return Fees by Selected Characteristics of Public Accounting Firms

	Charges for Preparation of Federal, State, and/or Local Income Tax Returns				
				If Separate, Fee is:	
	One Fee	Separate Fee	No Answer	Specified	% of Fed. Return
	No.	No.	No.	No.	No.
Size of Firm					
Proprietor with no full-time employees	928	211	21	188	15
Proprietor with full-time employees	1,057	270	15	244	17
Two partners	366	93	9	80	7
Three or more partners	92	22	1	21	1
Professional Corporation	227	59	7	54	3
Employees of Firm					
One full-time employee	618	168	11	147	13
Two full-time employees	408	89	4	78	9
Three full-time employees	256	72	7	66	1
Four or more full-time employees	312	66	7	60	2
Gross Income					
Under $20,000	114	40	1	38	1
$20,000 to 29,999	238	83	7	72	8
$30,000 to $39,999	302	73	7	65	6
$40,000 to $49,999	274	59	6	47	9
$50,000 to $59,999	250	61	5	59	2
$60,000 to $74,999	322	86	7	79	5
$75,000 to $99,999	370	88	8	79	3
$100,000 to $199,999	562	117	7	107	6
$200,000 or more	238	48	5	41	3
Primary Source of Income					
Tax services	762	225	14	206	14
Accounting and write-up	1,865	420	38	373	29
Other (incl. auditing)	43	10	1	8	0
Years in Practice					
1 to 4 years	254	83	7	78	2
5 to 9 years	503	127	9	118	5
10 to 14 years	427	126	8	112	10
15 to 19 years	303	69	4	65	4
20 to 24 years	371	75	8	69	3
25 to 29 years	282	62	4	53	7
30 or more years	490	100	12	82	9

TABLE 3

Charges for Representation at IRS Audit by Selected Characteristics of Public Accounting Firms

		Representation of Clients if IRS Audit			Basis for Fee		Rates Charged	
		Add. Fee Charged	Not Charged	No Answer	Hourly Rate	Fixed Fee	Average Hourly Rate	Average Fixed Fee
		No.	No.	No.	No.	No.	$	$
Survey Totals	1972	1,673	682	30	1,423[1]	249	20	53
	1975	1,879	805	24	1,658	221	24	59
	1978	2,336	819	20	2,088	248	30	82
No. of respondents	1981	2,510	837	31	2,269	241	39	99
Geographic & Population Data								
Region								
New England		156	58	5	136	20	36	77
Middle Atlantic		565	160	8	466	99	41	121
Southeast		429	182	4	400	29	36	108
Central		581	184	4	538	43	35	82
Northwest		151	66	1	148	3	35	*
Southwest		196	56	2	180	16	40	85
Far West		432	131	7	401	31	47	67
Metropolitan Area								
Chicago		49	10	0	44	5	37	79
Cleveland		24	3	0	21	3	42	*
Detroit		45	6	1	37	8	41	48
Los Angeles		81	15	1	69	12	55	89
Minneapolis-St. Paul		27	4	0	27	0	39	*
New York		136	14	1	94	42	44	139
Philadelphia		35	4	0	25	10	40	131
San Francisco		23	3	0	21	2	52	*
Washington, D.C.		17	10	2	16	1	42	*
Population Size								
Under 25,000		604	261	4	559	45	33	85
25,000 to 49,999		303	103	3	278	25	37	93
50,000 to 99,999		303	103	6	277	26	38	92
100,000 to 499,999		452	157	8	416	36	40	97
500,000 to 999,999		227	88	1	215	12	42	123
1,000,000 or more		621	125	9	524	97	44	106

*Data insufficient to report separately.
[1]Does not add to 1,673 because of one who did not answer.

TABLE 3 *(Continued)*

Charges for Representation at IRS Audit by Selected Characteristics of Public Accounting Firms

	Representation of Clients if IRS Audit			Basis for Fee		Rates Charged	
	Add. Fee Charged	Not Charged	No Answer	Hourly Rate	Fixed Fee	Average Hourly Rate	Average Fixed Fee
	No.	No.	No.	No.	No.	$	$
Size of Firm							
Proprietor with no full-time employees	792	356	12	703	89	35	108
Proprietor with full-time employees	1,029	303	10	934	95	39	82
Two partners	362	101	5	333	29	42	114
Three or more partners	91	23	1	87	4	43	*
Professional Corporation	236	54	3	212	24	43	98
Employees of Firm							
One full-time employee	591	199	7	525	66	39	94
Two full-time employees	391	106	4	355	36	39	80
Three full-time employees	265	67	3	245	20	43	88
Four or more full-time employees	325	56	4	308	17	44	100
Gross Income							
Under $20,000	87	65	3	77	10	28	58
$20,000 to $29,999	198	127	3	170	28	27	123
$30,000 to $39,999	267	114	1	240	27	33	90
$40,000 to $49,999	238	97	4	216	22	35	72
$50,000 to $59,999	231	77	3	206	25	36	116
$60,000 to $74,999	322	92	1	286	36	39	113
$75,000 to $99,999	344	118	4	313	31	40	71
$100,000 to $199,999	569	114	3	521	48	44	96
$200,000 or more	254	33	4	240	14	48	138
Primary Source of Income							
Tax services	711	279	11	623	88	38	98
Accounting and write-up	1,757	547	19	1,606	151	39	99
Other (incl. auditing)	42	11	1	40	2	48	*
Years in Practice							
1 to 4 years	257	82	5	238	19	35	99
5 to 9 years	480	157	2	439	41	38	98
10 to 14 years	400	154	7	359	41	38	92
15 to 19 years	282	91	3	259	23	38	78
20 to 24 years	350	102	2	300	50	42	95
25 to 29 years	262	83	3	239	23	41	104
30 or more years	439	155	8	396	43	40	113

*Data insufficient to report separately.

CHAPTER II

Number of Clients Per Firm

The number of a firm's clients is reported in two ways in this study. First, all respondents were asked how many monthly, quarterly and annual clients they serve, excluding those for whom only income tax returns are completed. Second, they were asked how many of these clients are primarily write-up accounts, accounting clients, or audit accounts. Because of the extremely wide variation in the number of clients reported in each group, the median number rather than the average is reported for the seven characteristics.

Median Number of Clients by Period Served and Type

The median number of clients of various types has remained amazingly stable throughout the last ten years, even declining slightly in three instances between 1978 and 1981. The median number of monthly clients in 1981 is 25, one less than reported in 1978, two less than in 1972 and the same as in 1975. This means that 50% of the reporting firms have 25 or fewer monthly clients and 50% of the firms have 25 or more monthly clients.

The number of quarterly clients served by the firms declined by one to 12 in 1981, the same level as in 1972. The median number of annual clients has remained 11 in all of the four last surveys.

The median number of clients by type shows great consistency from one survey to the next. In 1981 the median number of write-up accounts* is 31, of accounting clients** is 10, and of auditing clients is 5***. The only change from the 1978 survey is in auditing clients, which declined by one in 1981.

Some of the reported characteristics have a decided influence on the number of clients the firm has; others appear to have very little relationship. Firms in the New England and Middle Atlantic regions have more quarterly and annual clients than firms in other regions. The Central and Southeast regions have the greatest number of monthly clients, while New England has the lowest number. The New England region continues to have the greatest number of accounting clients. The Central region again reported the highest median number of write-up accounts. The Southwest region reported a median of four auditing clients. The other regions have a median of either five or six auditing clients.

Chicago has the highest median number of monthly clients and Philadelphia firms report the greatest number of both quarterly and annual clients. Firms in Cleveland have the largest number of write-up accounts. Los Angeles firms have the greatest number of accounting clients, and the most auditing clients were reported by firms from Detroit.

Population size appears to have only a slight influence on the number of clients a firm has. As the population goes up, the number of clients declines slightly, a pattern similar to that in the past three surveys.

As can be expected, the number of clients in all categories increases with the size of the firm, for both proprietorships and partnerships; with the number of employees in the firm; and with the gross income of the firm. There is a slight increase in the number of clients as the number of years in practice increases in most cases. With only a few exceptions the relationships shown in Table 4 are the same that existed in these data in the 1978 survey.

*For these clients the accountant provides a bookkeeping service, i.e., journals, ledgers, payrolls, etc., and prepares periodic financial statements.

**These clients have a bookkeeper on the premises, and the accountant begins his service by working from a preadjusted trial balance.

***The accountant inspects the clients' records, which involves analyses, test reports, confirmations, proofs, opinions, or disclaimers.

TABLE 4

Median Number of Clients Served—Period and Type by Selected Characteristics of Public Accounting Firms

		Clients the Firm Serves Regularly (excluding Annual Income Tax Returns)					
		Monthly	Quarterly	Annually	Write-Up Accounts	Accounting Clients	Auditing Clients
Survey Totals							
Median	1972	27	12	11	31	10	6
	1975	25	11	11	30	10	6
	1978	26	13	11	31	10	6
	1981	25	12	11	31	10	5
Geographic & Population Data							
Region							
New England		18	16	20	26	13	6
Middle Atlantic		20	16	15	29	10	6
Southeast		29	10	11	31	9	5
Central		30	12	11	39	9	6
Northwest		20	10	10	29	9	5
Southwest		26	10	10	30	7	4
Far West		22	12	10	29	9	5
Metropolitan Area							
Chicago		30	7	7	34	10	3
Cleveland		20	10	11	40	6	4
Detroit		27	14	11	37	11	10
Los Angeles		20	11	8	30	13	5
Minneapolis-St. Paul		20	10	11	32	9	3
New York		19	10	10	24	8	5
Philadelphia		16	16	12	23	10	4
San Francisco		17	10	7	29	6	5
Washington, D.C.		20	12	11	28	12	6
Population Size							
Under 25,000		25	15	16	30	10	6
25,000 to 49,999		25	14	12	31	10	6
50,000 to 99,999		26	13	12	31	11	6
100,000 to 499,999		27	11	11	35	8	5
500,000 to 999,999		25	11	10	32	10	4
1,000,000 or more		21	10	10	29	9	5

TABLE 4 *(Continued)*

Median Number of Clients Served—Period and Type by Selected Characteristics of Public Accounting Firms

	Clients the Firm Serves Regularly (excluding Annual Income Tax Returns)					
	Monthly	Quarterly	Annually	Write-Up Accounts	Accounting Clients	Auditing Clients
	No.	No.	No.	No.	No.	No.
Size of Firm						
Proprietor with no full-time employees	12	9	9	17	6	4
Proprietor with full-time employees	30	15	13	40	10	6
Two partners	37	17	17	49	12	7
Three or more partners	50	26	21	66	19	7
Professional Corporation	30	15	11	41	9	5
Employees of Firm						
One full-time employee	26	11	12	31	9	5
Two full-time employees	35	15	12	43	10	6
Three full-time employees	46	17	17	59	11	5
Four or more full-time employees	66	27	25	78	20	9
Gross Income						
Under $20,000	6	6	6	8	5	4
$20,000 to $29,999	11	7	9	16	5	3
$30,000 to $39,999	15	9	10	20	6	5
$40,000 to $49,999	17	10	10	22	9	4
$50,000 to $59,999	21	12	12	27	9	5
$60,000 to $74,999	26	10	10	35	8	4
$75,000 to $99,999	30	14	12	40	10	5
$100,000 to $199,999	45	19	17	57	15	6
$200,000 or more	70	26	25	89	19	9
Years in Practice						
1 to 4 years	17	10	10	25	6	3
5 to 9 years	24	11	11	30	8	4
10 to 14 years	26	13	11	31	9	5
15 to 19 years	26	13	11	37	10	5
20 to 24 years	30	16	11	39	10	6
25 to 29 years	27	13	11	36	11	6
30 or more years	21	11	11	27	11	7

CHAPTER III

Income by Type of Service and Type of Fee

Respondents were asked to estimate the proportion of their gross income derived from the following: tax service, write-up work, accounting, auditing, management advisory service and all other services. They were also asked what proportion of their billing for these services is based on fixed fees, hourly rates, or other.

The data reported in Table 5 are weighted average percentages. The percentage distribution reported for each type of service performed by a firm is weighted by that firm's 1981 gross income. For example, if a firm with a gross income of $20,000 indicates that it derives 90% of its income from fixed fees and 10% from hourly rates, $18,000 would be put into the fixed fee area and added to all other respondents who derive income from fixed fees. The balance of $2,000 (10% of $20,000) would be added to the income from hourly rates for all respondents.

Because the data are weighted by income, the distribution of income derived from each service or type of billing is representative of the average firm reporting in each category. The data show that the average firm derives 37% of its income from tax services, 42% from write-up work, 14% from accounting, 3% from auditing, 3% from management advisory services, and 1% from other services. Two of the major other income sources are renting computer time and estate planning. These percentages are somewhat changed from those found in the previous survey. Tax services are up from 31%, while write-up and auditing are down by two percentage points each. Over the five surveys there has been an increasing percentage going to tax services—26% in 1969, 28% in 1972, 30% in 1975, 31% in 1978, and 37% in 1981.

The same percentage of all income of typical accounting firms is based on fixed fees, as in 1978– 57%. This percentage has gone down from 66% in 1969, 61% in 1972, 58% in 1975 to 57% in the last two surveys. Most of the other income results from hourly rates which had been increasing as a percentage of gross income, 31% in 1969, 36% in 1972, 40% in 1975 and 41% in both 1978 and 1981. Some of the respondents add to their regular fees a factor which they call "over-all worth of the total service being provided to a client" They report this as other income, since it is based on value judgment of the quality of the service being provided.

Income derived from both the type of service and the billing base varied by region, area and population. In New England, for example, there is more income derived from accounting and auditing than in any of the other six regions. The Middle Atlantic region leads all others in income based on fixed fees. In the Northwest the opposite is true. There, 61% of the accounting firms' income is derived from hourly fees and 37% from fixed rates. These same relationships have held true in all previous studies, although the percentages have been somewhat different.

In the metropolitan area data, the percentages of income derived from the six services vary fairly widely. However, these variations should be weighed against the number of returns in each area. For example, firms reporting from the San Francisco area derive 40% of their income from tax services, 41% from write-up work, and 11% from accounting work. The number of firms reporting is only 26, and, therefore, any one large firm could bias the income distribution for the sample. The evaluation of data from a small number of returns obviously is not as representative as data from larger samples.

Income from tax services tends to decline as urban population increases. While firms maintain a fairly constant rate of income from write-up work, the amount coming from accounting increases as city population increases. Firms in the largest population area use a fixed fee basis for billing significantly more than firms in any of the other population classifications.

The size of the firm has some effect on the type of work done. Small firms, i.e., proprietors with no full-time employees, do more tax services than the larger firms. The larger firms tend to do more

costly services, mainly auditing and management advisory services. Hourly fees are far more popular with larger firms than with smaller ones. Professional corporations reported significantly more write-up work than other firms, but less tax services, accounting and auditing.

The higher the number of full-time employees, the greater the percentage of income derived from accounting and the lower from tax services. The hourly rate is more commonly used by firms with four or more employees than with smaller firms.

Firms in the largest income category show a higher percentage of income from auditing and management advisory services. However, the differences in percentage distribution among the various income levels was not as pronounced in this study as in the 1978 survey.

FIGURE 3. DISTRIBUTION OF GROSS INCOME BY TYPE OF SERVICE

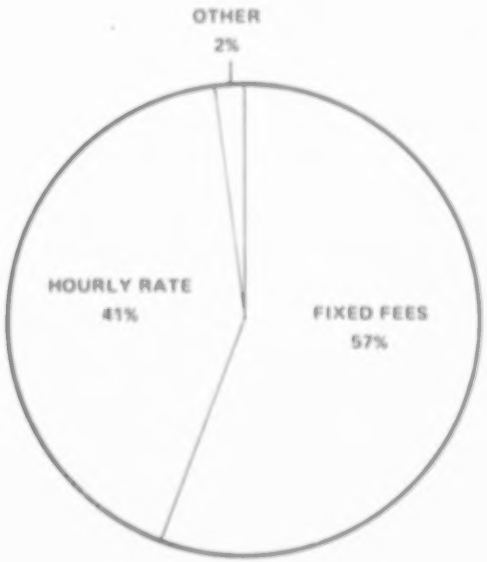


FIGURE 4. DISTRIBUTION OF GROSS INCOME BY BILLING BASE

TABLE 5

1981 Income Derived from Type of Service and Fees Charged by Selected Characteristics of Public Accounting Firms

		Percentage Distribution of 1981 Annual Gross Income by Type of Service							Percentage Distribution of 1981 Annual Gross Income by Billing Base		
		Tax Services	Write-up Work	Accounting Work	Auditing	Management Advisory Services	Other	Totals	Fixed Fee	Hourly Rate	Other
Survey Totals	1972	28	43	17	7	3	2	100	61	36	3
	1975	30	43	17	6	3	1	100	58	40	2
	1978	31	44	16	5	3	1	100	57	41	2
	1981	37	42	14	3	3	1	100	57	41	2
Geographic & Population Data											
Region											
New England		36	33	20	6	4	1	100	54	45	1
Middle Atlantic		34	39	18	5	3	1	100	63	36	1
Southeast		37	44	12	3	3	1	100	61	36	3
Central		35	46	13	2	3	1	100	57	41	2
Northwest		41	39	13	3	3	1	100	37	61	2
Southwest		38	47	10	2	2	1	100	59	38	3
Far West		43	38	12	2	4	1	100	50	48	2
Metropolitan Area											
Chicago		36	48	13	1	2	*	100	69	30	1
Cleveland		27	48	18	5	2	*	100	56	43	1
Detroit		28	50	16	3	3	*	100	69	29	2
Los Angeles		39	38	15	3	3	2	100	59	37	4
Minneapolis-St. Paul		37	40	15	3	4	1	100	35	65	*
New York		26	46	20	5	2	1	100	78	21	1
Philadelphia		33	38	23	5	1	*	100	76	22	2
San Francisco		40	41	11	4	4	*	100	48	52	*
Washington, D.C.		40	34	15	6	4	1	100	60	39	1
Population Size											
Under 25,000		42	39	12	3	3	1	100	52	46	2
25,000 to 49,999		38	39	15	4	3	1	100	53	45	2
50,000 to 99,999		37	42	14	3	3	1	100	55	43	2
100,000 to 499,999		36	44	13	3	3	1	100	58	40	2
500,000 to 999,999		35	44	14	2	4	1	100	57	40	3
1,000,000 or more		32	44	16	4	3	1	100	64	34	2

*Less than ½ of 1%.

TABLE 5 *(Continued)*

1981 Income Derived from Type of Service and Fees Charged by Selected Characteristics of Public Accounting Firms

	Percentage Distribution of 1981 Annual Gross Income by Type of Service							Percentage Distribution of 1981 Annual Gross Income by Billing Base		
	Tax Services	Write-up Work	Accounting Work	Auditing	Management Advisory Services	Other	Totals	Fixed Fee	Hourly Rate	Other
Size of Firm										
Proprietor with no full-time employees	41	37	15	3	3	1	100	59	39	2
Proprietor with full-time employees	35	44	14	3	3	1	100	56	42	2
Two partners	35	42	14	4	4	1	100	54	44	2
Three or more partners	34	40	15	5	4	2	100	49	49	2
Professional Corporation	33	47	13	2	4	1	100	55	42	3
Employees of Firm										
One full-time employee	37	43	13	3	3	1	100	56	42	2
Two full-time employees	33	45	14	4	3	1	100	57	41	2
Three full-time employees	33	45	14	3	4	1	100	55	43	2
Four or more full-time employees	31	44	15	5	4	1	100	48	50	2
Gross Income										
Under $20,000	52	32	12	2	2	*	100	59	39	3
$20,000 to $29,999	44	38	13	2	2	1	100	63	34	3
$30,000 to $39,999	40	41	13	3	2	1	100	58	40	2
$40,000 to $49,999	38	41	14	3	3	1	100	58	40	2
$50,000 to $59,999	37	43	14	3	2	1	100	60	38	2
$60,000 to $74,999	36	42	15	3	3	1	100	58	40	2
$75,000 to $99,999	36	43	14	3	3	1	100	57	40	3
$100,000 to $199,999	33	44	14	4	4	1	100	52	46	2
$200,000 or more	30	44	15	5	4	2	100	47	51	2
Years in Practice										
1 to 4 years	38	42	12	3	4	1	100	53	45	2
5 to 9 years	36	43	13	3	4	1	100	55	43	2
10 to 14 years	38	42	13	2	4	1	100	55	43	2
15 to 19 years	38	42	13	3	3	1	100	58	40	2
20 to 24 years	36	42	14	4	3	1	100	58	40	2
25 to 29 years	36	43	14	4	2	1	100	59	39	2
30 or more years	35	39	18	5	2	1	100	58	40	2

*Less than ½ of 1%.

CHAPTER IV

Hourly Fees and Fixed Monthly Fees

This chapter covers average hourly fees charged by firms for selected services and the billing rates per hour for five levels of personnel. It also covers the fixed rates charged monthly clients, and the number of firms offering management advisory services and their hourly rates for these services.

In reporting hourly fees charged for write-up, accounting and auditing, each type of service is reported separately if rates are different. However, if only one fee is applicable for all services, the firm was asked to report this rate separately. Therefore, there are two sets of fees: individual fees for each type of service, and a separate fee for those firms charging a single fee for all services. The average fee is reported for all eight characteristic groups.

Respondents were requested to report their highest, lowest and average fixed monthly fees. All three of these fixed monthly fees are reported as averages. Data were also requested on whether or not the firm provides management advisory services, and, if so, what hourly fee is charged for these services.

Hourly Fees and Billing Rates

Table 6 shows the firm's average fees by type of service and the average hourly billing rates for five levels of personnel. For the over-all rates there is little that is unexpected. The relationships of hourly fees by type of service and type of personnel have remained the same throughout all the surveys. The average hourly rate for write-up work is $26, while for accounting it is $34, and for auditing $41. As the services become more complex, and more knowledge and experience are required, the hourly fee increases. The average rate charged by firms using a single rate is $33.

The significant change is in the level of charges which has gone up considerably since 1978. The 1981 averages reflect the inflationary economy in the U.S. during the late 1970's and early 1980's. Average hourly fees have continued to increase between all survey years. Over the 1972–1981 period, public accountants have increased their fees at a rate slightly under that for the Consumer Price Index (CPI). The increase in the CPI from August 1972 to August 1981 was 120%. The average hourly fees recorded in Table 6 went up slightly less than this percentage increase ranging from 89% to 100%. Average billing rates from 1972 to 1981 also increased by percentages slightly less than the 120% increase of the CPI.

During the three-year period, August 1978 to August 1981 (approximately the time the questionnaires were filled out), accountants' fees and billing rates rose significantly less than the CPI. During this period the Consumer Price Index rose 40%, while average hourly fees all rose at rates of from 24% on write-up accounts to 28% on audit accounts. Billing rates also rose at less than 40%.

The per-hour billing rates for personnel vary directly with experience and responsibility. The average secretarial billing rate is $15. Juinior accountants' (zero-two years' experience) billing rate is $21. With a little more experience (semi-senior accountants with three-four years' experience) the rate is increased to $27. Five or more years' experience (senior accountants) increases the fee to $34 per hour. The largest percentage increase between 1978 and 1981 went to secretarial billing rates. The highest billing rates are those of principals, which have increased $9 (30%) from the 1978 survey.

The current study shows a clear regional pattern for fees. The Northwest region has the lowest average fees in every category, both by type of work and by type of personnel. The Far West has the highest fees in all categories. Metropolitan data do not show such a clear pattern as regional data. Population classification data continue to show fees and billing rates rising as population increases (see Table 6).

Size of firm and number of employees do not appear to have a significant influence on hourly fees or billing rates. Generally the fees and billing rates increase with the number of employees in the firm, but the range for the various services and personnel classification is quite narrow (see Table 6).

There is a positive correlation between gross income and fees charged. As income increases, so do the hourly fees. There are a few exceptions, but these are unimportant to the over-all pattern. Billing rates make substantial jumps between the averages reported for $100,000 to $199,999 firms and those with gross incomes of $200,000 or more in some areas. These largest firms bill much higher than average rates, particularly for their principals.

Distribution of Hourly Billing Rates

Table 7 is a special table showing the billing rates and number of firms that report billing rates for each level of personnel. The number of personnel is reported by $2 intervals up to $30 per hour, $5 intervals from $30 to $40, and $10 intervals thereafter. The principals' billing rates are reported in total and by size of firm. The table is also the basis for Figure 5, which shows the percentage distribution of the hourly fees paid to each type of personnel.

Average Fixed Monthly Fees

The average fixed monthly fee received by the respondents reporting such fees is $131, or $1,572 per year, an increase of 85% since 1972 and 25% since 1978 (see Table 8). The highest average monthly fixed fee for the total survey is $376, and the lowest is $60. The highest average fee increased 36% since 1978, while the lowest average fee went up 28%. Although the average fee is $131, the range between the high and low is very wide.

The average fixed fees by the eight characteristics do not show significant differences. By region and area, variations in the high, low and average fees show no definite pattern. The fees generally increase as population increases. The fees also increase as the number of employees and gross income of the firm increase.

Management Advisory Services and Fees

Management advisory services are performed by 1,734 of the respondents, 52% of the 3,304 answering this question (see Table 9). This is an increase of four percentage points since the last survey where 48% reported performing these services. The average hourly fee is $43, $11 greater than the average reported in 1978. This average fee is higher also than the average fee of $39 for all principals reported in Table 6. The rate per hour charge for management advisory services increased 17% between 1972 and 1975, 19% between 1975 and 1978, and 34% between 1978 and 1981.

The proportion of firms providing management advisory services does not vary much by region or population. In three metropolitan areas the percentage of firms offering management advisory services is 50% or more—Cleveland, Minneapolis-St. Paul and Washington, D.C.

By size of firm, number of employees and gross income, the proportion of firms providing management advisory services increases as the magnitudes of these characteristics increase (see Table 9). For example, only 45% of the firms having no full-time employees provide management advisory services, while 68% of the firms with four or more full-time employees offer these services. More than half of the firms with gross income of $75,000 or more offer management advisory services.

There is an inverse relationship between the percentage of firms offering management advisory services and the number of years in practice. Sixty percent of the accountants in practice one to four years offer these services. The percentage of participation declines steadily to 44% of those in practice 25–29 years and 43% of those in practice 30 or more years. This pattern also showed up in previous surveys.

FIGURE 5. DISTRIBUTION OF BILLING RATES PER HOUR

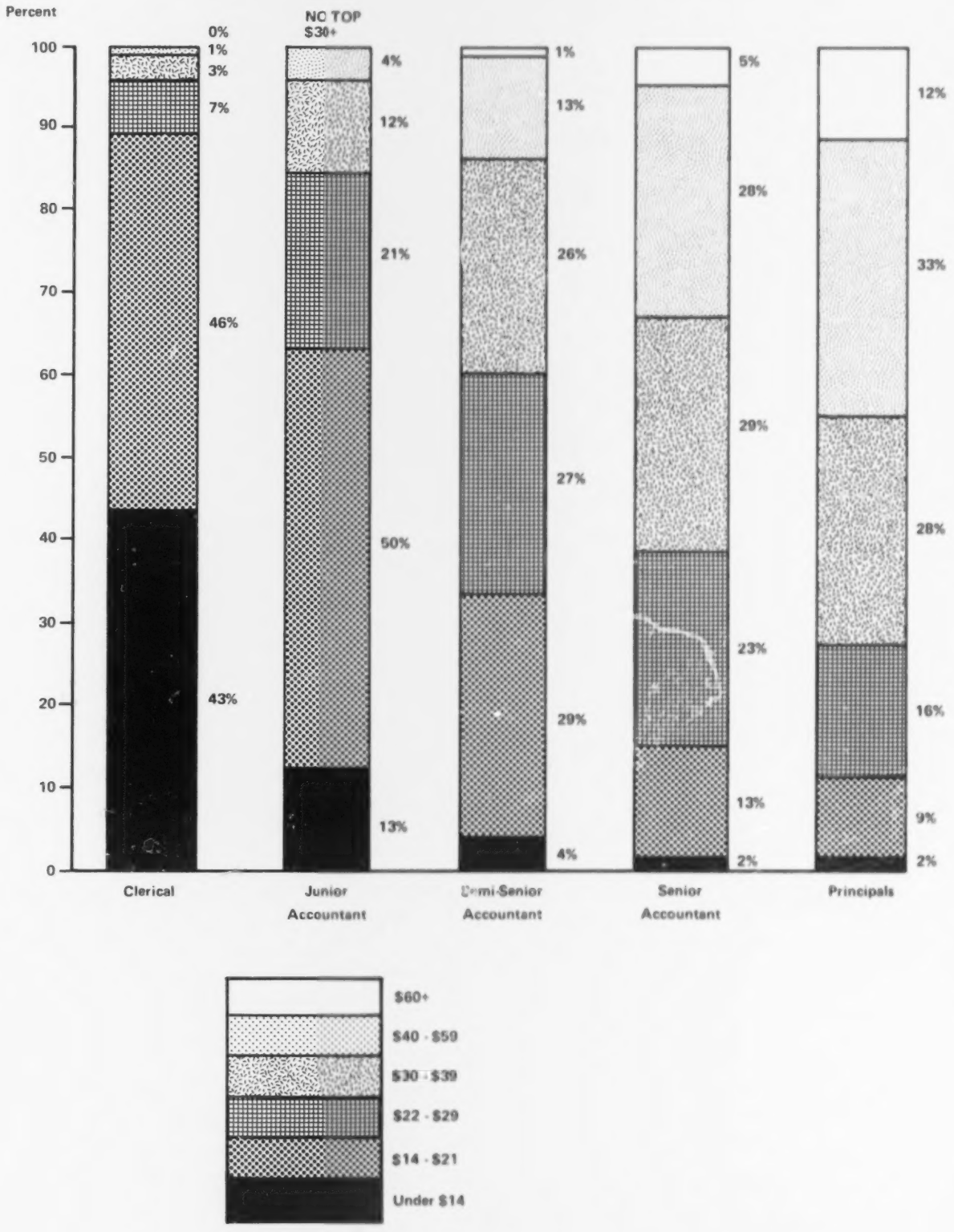


TABLE 6

Average Hourly Fees for Type of Service and Employees by Selected Characteristics of Public Accounting Firms

		Firm's Hourly Fees				Billing Rates Per Hour for Staff & Principals				
		Write-Up Accounts	Accounting Clients	Audit Clients	Same Fee for All Services	Secretarial, Steno, Clerical	Junior Accountant	Semi-Senior Accountant	Senior Accountant	Principal-Partners
		$	$	$	$	$	$	$	$	$
Survey Totals	1972	13	18	21	17	7	10	13	16	20
Average	1975	16	21	26	21	9	12	16	21	25
	1978	21	27	32	26	11	16	20	26	30
	1981	26	34	41	33	15	21	27	34	39
Geographic & Population Data										
Region										
New England		24	34	39	33	14	20	28	34	37
Middle Atlantic		27	36	42	36	15	22	29	37	41
Southeast		25	32	38	31	14	19	25	32	36
Central		25	32	40	31	14	20	25	31	36
Northwest		23	29	36	29	14	19	24	30	33
Southwest		29	35	43	29	15	21	27	35	39
Far West		29	39	48	37	17	24	30	37	48
Metropolitan Area										
Chicago		30	36	49	40	18	23	27	39	43
Cleveland		30	40	51	38	17	22	34	35	44
Detroit		29	39	55	34	15	22	30	37	39
Los Angeles		33	47	59	46	21	28	36	45	59
Minneapolis-St. Paul		27	35	44	38	14	22	28	35	40
New York		32	41	53	40	16	24	32	36	45
Philadelphia		25	32	32	37	13	21	28	48	43
San Francisco		28	46	46	*	17	24	28	40	49
Washington, D.C.		29	42	49	40	16	22	31	40	45
Population Size										
Under 25,000		23	30	36	29	13	19	24	30	34
25,000 to 49,999		25	32	39	32	15	21	26	33	38
50,000 to 99,999		26	35	40	34	15	21	27	35	39
1000,000 to 499,999		26	35	42	33	16	21	28	34	40
5000,000 to 999,999		27	34	41	35	15	21	27	35	41
1,000,000 or more		30	39	49	38	17	24	30	38	45

*Data insufficient to report separately.

TABLE 6 *(Continued)*

Average Hourly Fees for Type of Service and Employees by Selected Characteristics of Public Accounting Firms

	Firm's Hourly Fees				Billing Rates Per Hour for Staff & Principals				
	Write-Up Accounts	Accounting Clients	Audit Clients	Same Fee for All Services	Secretarial, Steno, Clerical	Junior Accountant	Semi-Senior Accountant	Senior Accountant	Principal-Partners
	$	$	$	$	$	$	$	$	$
Size of Firm									
Proprietor with no full-time employees	25	33	39	33	13	18	24	33	34
Proprietor with full-time employees	26	33	40	33	15	20	26	32	40
Two partners	28	36	43	34	16	22	28	36	43
Three or more partners	26	35	42	36	16	22	28	36	44
Professional Corporation	28	38	44	36	17	23	30	36	46
Employees of Firm									
One full-time employee	26	35	40	34	15	20	26	33	39
Two full-time employees	26	34	43	33	15	21	26	32	40
Three full-time employees	27	35	41	32	16	23	27	34	44
Four or more full-time employees	26	35	42	35	16	22	28	36	47
Gross Income									
Under $20,000	20	26	27	25	10	*	*	*	25
$20,000 to $29,999	22	27	35	27	12	15	20	28	28
$30,000 to $39,999	23	30	33	31	13	16	21	27	32
$40,000 to $49,999	24	32	36	33	14	18	24	31	34
$50,000 to $59,999	26	34	39	34	14	17	27	30	37
$60,000 to $74,999	27	35	43	35	15	21	26	31	40
$75,000 to $99,999	27	35	41	37	15	20	25	31	40
$100,000 to $199,999	28	37	45	38	17	22	27	35	46
$200,000 or more	30	38	45	36	17	24	31	39	52
Years in Practice									
1 to 4 years	25	33	38	31	14	20	26	32	35
5 to 9 years	26	33	39	32	15	21	27	35	38
10 to 14 years	25	33	37	31	14	20	25	32	38
15 to 19 years	25	33	39	34	15	20	27	33	39
20 to 24 years	28	36	46	35	16	22	29	36	42
25 to 29 years	26	35	42	34	15	22	28	35	41
30 or more years	28	36	44	36	15	21	27	34	41

*Data insufficient to report separately.

TABLE 7

Distribution of Average Hourly Fees by Rate

		Usual Billing Rates Per Hour				Billing Rate Per Hour for Principals					
							Proprietorships		Partnerships		Profes-
		Clerical $	Junior Accountants $	Semi-Senior Accountants $	Senior Accountants $	All Principals $	With No Full-Time Empl. $	With Full-Time Empl. $	Two Partners $	Three or More $	sional Corpora-tions
Survey Totals											
	1972	7	10	13	16	20	17	20	21	24	*
Average	1975	9	12	16	21	25	21	25	26	28	*
	1978	11	16	21	26	30	27	31	32	35	*
	1981	15	21	27	34	39	34	40	43	44	46
Billing rate per hour Under $6.00		61	11	0	1	3	0	3	0	0	0
6.00–7.99		53	6	2	2	2	1	1	0	0	0
8.00–9.99		95	14	4	1	3	3	0	0	0	0
10.00–11.99		428	61	12	6	23	17	4	1	0	1
12.00–13.99		219	65	18	9	15	11	3	0	0	1
14.00–15.99		520	225	62	41	63	38	20	4	1	0
16.00–17.99		50	28	12	5	7	5	0	1	1	0
18.00–19.99		107	70	37	10	23	10	9	3	0	1
20.00–21.99		231	260	164	72	161	85	57	12	2	5
22.00–23.99		16	21	20	14	24	11	8	4	0	1
24.00–25.99		121	213	215	181	389	170	143	44	5	27
26.00–27.99		0	2	5	15	12	3	8	1	0	0
28.00–29.99		3	12	14	19	23	8	9	5	0	1
30.00–34.99		43	92	132	148	372	118	166	49	12	27
35.00–39.99		18	46	112	134	416	128	169	61	15	43
40.00–49.99		8	35	94	173	457	97	212	75	29	44
50.00–59.99		6	11	26	106	479	95	207	91	29	57
60.00–69.99		0	1	6	33	177	37	69	33	9	29
70.00 or more		0	0	1	19	168	31	67	34	7	29
Total Reporting Rates		1,979	1,173	936	989	2,817	868	1,155	418	110	266

*This break-out not previously reported

TABLE 8

Average Fixed Monthly Fees by Selected Characteristics of Public Accounting Firms

		Fixed Monthly Fee Charges		
		Highest Monthly Fee $	Lowest Monthly Fee $	Average Monthly Fee $
Survey Totals	1972	232	31	71
	1975	257	39	86
Average	1978	277	47	105
	1981	376	60	131
Geographic & Population Data				
Region				
New England		300	63	145
Middle Atlantic		387	69	140
Southeast		330	52	110
Central		353	51	114
Northwest		304	55	138
Southwest		442	59	147
Far West		447	68	153
Metropolitan Area				
Chicago		467	59	132
Cleveland		441	67	156
Detroit		346	52	115
Los Angeles		432	60	167
Minneapolis-St. Paul		450	65	171
New York		494	96	175
Philadelphia		341	69	128
San Francisco		470	79	165
Washington, D.C.		295	77	156
Population Size				
Under 25,000		318	47	108
25,000 to 49,999		357	60	137
50,000 to 99,999		392	57	132
100,000 to 499,999		372	57	123
500,000 to 999,999		418	62	137
1,000,000 or more		426	76	157

	Fixed Monthly Fee Charges		
	Highest Monthly Fee $	Lowest Monthly Fee $	Average Monthly Fee $
Size of Firm			
Proprietor with no full-time employees	297	62	130
Proprietor with full-time employees	372	55	124
Two partners	454	61	141
Three or more partners	539	61	142
Professional Corporation	473	69	148
Employees of Firm			
One full-time employee	351	58	123
Two full-time employees	384	60	128
Three full-time employees	439	55	132
Four or more full-time employees	589	61	158
Gross Income			
Under $20,000	179	45	82
$20,000 to $29,999	234	52	105
$30,000 to $39,999	266	53	108
$40,000 to $49,999	339	62	145
$50,000 to $59,999	324	60	124
$60,000 to $74,999	369	62	132
$75,000 to $99,999	368	60	130
$100,000 to $199,999	450	62	140
$200,000 or more	687	69	177
Primary Source of Income			
Tax services	256	52	109
Accounting and write-up	416	62	137
Other (incl. auditing)	603	102	232
Years in Practice			
1 to 4 years	301	59	126
5 to 9 years	353	58	124
10 to 14 years	366	58	121
15 to 19 years	391	57	126
20 to 24 years	387	57	129
25 to 29 years	432	63	145
30 or more years	394	66	148

TABLE 9

Performance of Management Advisory Services and Fees by Selected Characteristics of Public Accounting Firms

		Management Advisory Services			Rate
		Performed	Not Performed	No Answer	Per Hour Average
		No.	No.	No.	$
Survey Totals	1972	971	1,355	59	23
Number	1975	1,220	1,451	37	27
	1978	1,512	1,619	44	32
	1981	1,734	1,570	74	43
Geographic & Population Data					
Region					
New England		107	104	8	40
Middle Atlantic		360	354	19	46
Southeast		288	320	7	41
Central		421	336	12	39
Northwest		119	94	5	37
Southwest		135	113	6	42
Far West		304	249	17	50
Metropolitan Area					
Chicago		25	32	2	49
Cleveland		15	12	0	46
Detroit		23	29	0	47
Los Angeles		45	48	4	57
Minneapolis-St. Paul		22	8	1	43
New York		56	88	7	54
Philadelphia		12	24	3	45
San Francisco		11	14	1	54
Washington, D.C.		16	13	0	49
Population Size					
Under 25,000		423	427	19	37
25,000 to 49,999		205	195	9	41
50,000 to 99,999		218	182	12	42
100,000 to 499,999		335	272	10	44
500,000 to 999,999		176	136	4	45
1,000,000 or more		337	358	20	49

TABLE 9 *(Continued)*

Performance of Management Advisory Services and Fees by Selected Characteristics of Public Accounting Firms

	Management Advisory Services			Rate
	Performed	Not Performed	No Answer	Per Hour Average
	No.	No.	No.	$
Size of Firm				
Proprietor with no full-time employees	506	619	35	39
Proprietor with full-time employees	674	641	27	43
Two partners	282	180	6	45
Three or more partners	82	32	1	49
Professional Corporation	190	98	5	47
Employees of Firm				
One full-time employee	383	397	17	41
Two full-time employees	281	212	8	45
Three full-time employees	209	119	7	46
Four or more full-time employees	259	124	2	47
Gross Income				
Under $20,000	54	96	5	32
$20,000 to $29,999	126	192	10	31
$30,000 to $39,999	176	193	13	36
$40,000 to $49,999	147	184	8	38
$50,000 to $59,999	153	159	4	39
$60,000 to $74,999	197	209	9	44
$75,000 to $99,999	250	209	7	44
$100,000 to $199,999	420	248	18	48
$200,000 or more	211	80	0	52
Primary Source of Income				
Tax services	463	505	33	43
Accounting and write-up	1,228	1,054	41	42
Other (incl. auditing)	43	11	0	50
Years in Practice				
1 to 4 years	202	133	9	38
5 to 9 years	379	254	6	41
10 to 14 years	302	248	11	43
15 to 19 years	182	183	11	42
20 to 24 years	235	209	10	47
25 to 29 years	148	191	9	44
30 or more years	254	331	17	46

CHAPTER V

Office Facilities and Use of Data Processing Equipment

The information in this chapter is derived from the answers to three questions: What type of office facilities does your firm have? Does your firm use a computer service bureau to complete tax returns? Does your firm own, lease or use a computer service bureau for work other than tax forms?

Office Facilities

Fifty-two percent of the respondents indicated they rent office space, 1,740 of 3,342 reporting on this question (see Table 10). This percentage has declined from the 56% reported in 1972 and 1975, and the 55% in 1978. The next most important source of office space is ownership of an office building, either individual ownership or with others. Some 26% of the respondents own all or part of the building in which they have their offices. Twenty-two percent say they use part of their home for an office, an increase of three percentage points since 1978. For those who rent office space, the average monthly is $385, up 35% since 1978. This change reflects the inflation we are experiencing throughout the economy.

Differences in office facilities and rent by region, area and population are noticeable. For example, respondents in the Southeast region pay the lowest monthly rent, $317 per month, while those in the Far West report the highest, $445. In metropolitan areas the highest rent is in Washington, D.C. These relationships have not changed substantially from the last survey.

Office building ownership is inversely related to population size. In small cities (under 25,000), 37% of the respondents say they own wholly or in part their own office facilities. At the other extreme, only 15% of those in cities of one million or more own office facilities. Obviously the lower cost of office buildings in small towns account for more ownership in areas of smaller population.

Size, number of employees, and income of the firm influence the rent cost of respondents (see Table 10). Average rent costs increase as these three characteristics increase in magnitude. There is also a relationship between these characteristics and ownership of office facilities or use of part of the principal's home, for office space. As the size of the firm, number of employees, and income increase, ownership of office buildings increases and use of home facilities declines.

Ownership of an office building is most common among firms whose primary source of income is from tax services. Twenty-nine percent of these firms own their own office buildings. Twenty-six percent of the accounting and write-up firms own their own buildings, while only 15% of the other firms do.

Years in practice have relatively little effect on portion of respondents either renting or using part of their home for an office. Average monthly rental also appears to be little affected by the number of years in practice.

Computation of Tax Returns by Data Processing

Thirty-five percent of the 3,373 respondents say they use a computer service bureau for the preparation of tax returns (see Table 11). This is up only slightly from the 32% reported in the 1978 survey. Of those who say they do not do so, 412 indicate they are planning to use a computer tax service in 1982. This means that if most of the firms using the service bureau for tax returns continue with it and those indicating they would start in 1982 actually do so, 47% of all respondents in the survey will have their tax forms done by some type of data processing in 1982.

Regional differences in the use of a service bureau for tax returns are not substantial, except in the Far West, where 71% of the respondents use data processing for tax forms. This is a region where computer use has always been substantially higher than the overall.

The proportions using a service bureau for tax returns increases with income, firm size, and number of employees. Not much variation is seen by the number of years in practice (see Table 11).

FIGURE 6. TYPES OF OFFICE FACILITIES

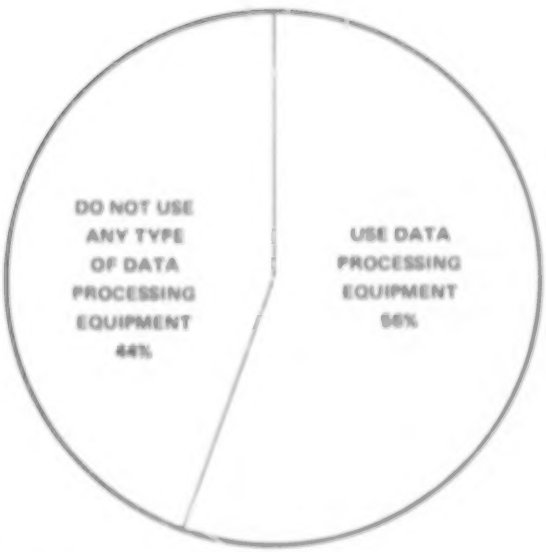


FIGURE 7. USE OF DATA PROCESSING EQUIPMENT
(Other than for income tax returns)

TABLE 10

Office Facilities and Average Monthly Rent by Selected Characteristics of Public Accounting Firms

		Office Facilities			Average Monthly Rent
		Own Office Building[1]	Office Rented	Office in Home	
		No.	No.	No.	$
Survey Totals	1972	581	1,335	464[2]	181
Number	1975	648	1,511	535[3]	215
	1978	814	1,742	605[4]	284
	1981	882	1,740	720[5]	385
Geographic & Population Data					
Region					
New England		42	107	66	363
Middle Atlantic		150	341	231	394
Southeast		196	325	92	317
Central		241	378	144	398
Northwest		57	112	44	343
Southwest		75	144	30	376
Far West		121	333	113	445
Metropolitan Area					
Chicago		7	32	18	500
Cleveland		7	14	6	330
Detroit		19	24	9	445
Los Angeles		10	66	21	375
Minneapolis-St. Paul		7	17	7	340
New York		14	[illegible]2	62	410
Philadelphia		9	16	12	305
San Francisco		3	17	5	425
Washington, D.C.		5	18	6	625
Population Size					
Under 25,000		314	375	166	263
25,000 to 49,999		113	209	84	360
50,000 to 99,999		109	212	82	372
100,000 to 499,999		169	327	119	420
500,000 to 999,999		62	184	70	451
1,000,000 or more		115	433	199	437

[1]Individually or with others.

[2]Does not add to survey total because of 5 who did not answer.

[3]Does not add to survey total because of 14 who did not answer.

[4]Does not add to survey total because of 14 who did not answer.

[5]Does not add to survey total because of 36 who did not answer.

TABLE 10 *(Continued)*

Office Facilities and Average Monthly Rent by Selected Characteristics of Public Accounting Firms

	Office Facilities			Average Monthly Rent
	Own Office Building[1]	Office Rented	Office in Home	
	No.	No.	No.	$
Size of Firm				
Proprietor with no full-time employees	139	456	550	231
Proprietor with full-time employees	487	730	110	380
Two partners	136	303	27	562
Three or more partners	45	66	3	748
Professional Corporation	75	185	30	391
Employees of Firm				
One full-time employee	211	472	106	318
Two full-time employees	167	305	24	388
Three full time employees	133	192	5	491
Four or more full-time employees	193	187	3	786
Gross Income				
Under $20,000	15	32	106	144
$20,000 to $29,999	34	133	156	171
$30,000 to 39,999	53	164	161	210
$40,000 to $49,999	70	173	91	244
$50,000 to $59,999	85	157	71	268
$60,000 to $74,999	107	243	59	327
$75,000 to 99,999	117	299	44	416
$100,000 to $199,999	274	380	27	572
$200,000 or more	127	159	5	1,012
Primary Source of Income				
Tax services	285	467	236	347
Accounting and write-up	589	1,240	472	379
Other (incl. auditing)	8	33	12	602
Years in Practice				
1 to 4 years	39	216	88	339
5 to 9 years	116	387	133	363
10 to 14 years	163	269	125	400
15 to 19 years	111	182	80	417
20 to 24 years	161	210	77	392
25 to 29 years	102	173	69	368
30 or more years	174	277	137	393

[1]Individually or with others.

*Data insufficient to report separately.

TABLE 11

Computation of Tax Returns by Data Processing by Selected Characteristics of Public Accounting Firms

		Computer Service Bureau for Preparation of Income Tax Returns		If Negative, Plans for Tax Returns by Computer in 1982	
		Firm Uses	Does not Use	Will Use	Will not Use
Survey Totals	1972	622	1,763	188	1,538[1]
	1975	754	1,951[2]	161	1,751[3]
Number of Respondents	1978	1,019	2,146[4]	331	1,755[5]
	1981	1,180	2,193[6]	412	1,696[7]
Geographic & Population Data					
Region					
New England		49	170	27	133
Middle Atlantic		231	499	97	382
Southeast		128	487	82	378
Central		232	535	87	438
Northwest		56	162	40	114
Southwest		81	173	30	131
Far West		403	167	49	120
Metropolitan Area					
Chicago		20	39	6	31
Cleveland		9	18	1	16
Detroit		13	39	4	35
Los Angeles		79	18	10	12
Minneapolis-St. Paul		18	13	2	11
New York		79	71	16	49
Philadelphia		4	34	9	24
San Francisco		23	3	1	1
Washington, D.C.		12	17	5	12
Population Size					
Under 25,000		183	686	108	543
25,000 to 49,999		118	291	44	232
50,000 to 99,999		150	261	47	206
100,000 to 499,999		232	383	77	297
500,000 to 999,999		138	178	38	136
1,000,000 or more		359	394	98	282

[1]Does not add to "no" total of 1,763 because of 37 who did not answer.
[2]Does not add to 1975 sample total because of 3 who did not answer.
[3]Does not add to "no" total of 1,951 because of 39 who did not answer.
[4]Does not add to 1978 sample total because of 10 who did not answer.
[5]Does not add to "no" total of 2,146 because of 60 who did not answer.
[6]Does not add to 1981 sample total because of 5 who did not answer.
[7]Does not add to "no" total of 2,193 because of 85 who did not answer.

TABLE 11 *(Continued)*

Computation of Tax Returns by Data Processing by Selected Characteristics of Public Accounting Firms

	Computer Service Bureau for Preparation of Income Tax Returns		If Negative, Plans for Tax Returns by Computer in 1982	
	Firm Uses	Does not Use	Firm Will Use	Will not Use
	No.	No.	No.	No.
Size of Firm				
Proprietor with no full-time employees	332	827	137	664
Proprietor with full-time employees	469	871	147	688
Two partners	194	273	66	195
Three or more partners	48	67	22	41
Professional Corporation	137	155	40	108
Employees of Firm				
One full-time employee	286	510	85	408
Two full-time employees	193	305	49	242
Three full-time employees	133	202	56	137
Four or more full-time employees	169	216	60	141
Gross Income				
Under $20,000	23	132	8	121
$20,000 to $29,999	62	266	47	212
$30,000 to $39,999	102	279	52	215
$40,000 to $49,999	94	245	29	211
$50,000 to $59,999	102	214	37	168
$60,000 to $74,999	141	272	63	200
$75,000 to $99,999	162	304	47	244
$100,000 to $199,999	332	352	83	249
$200,000 or more	162	129	46	76
Primary Source of Income				
Tax Services	308	693	122	545
Accounting and write-up	850	1,468	283	1,130
Other (incl. auditing)	22	32	7	21
Years in Practice				
1 to 4 years	113	231	58	160
5 to 9 years	207	432	83	332
10 to 14 years	182	377	75	284
15 to 19 years	137	238	38	186
20 to 24 years	162	291	55	226
25 to 29 years	140	208	38	167
30 or more years	219	382	56	318

Other Uses of Data Processing Equipment

Besides using data processing for preparation of tax returns, respondents were asked if they use the computer to perform any accounting or other services (see Table 12). Fifty-six percent (1,874) of the 3,343 reporting said yes. This is an increase of eight percentage points over the 1978 survey.

Of the 1,874; 1,101 own equipment, 126 lease it, 174 use a computer service bureau with input equipment in their offices, and 473 firms use a service bureau with no input equipment in their offices. Almost 37% of all respondents own or lease in-house data processing equipment. It should be noted that this does not include the leasing of input equipment from a service bureau. The 1,227 firms who say they own or lease have full data processing equipment in their office facilities.

The availability of smaller and less expensive computers has increased the number of firms owning such equipment. The increase in the percentage of firms who use data processing for other than income tax returns who own equipment is most pronounced in the latest survey. In 1972, 19% of these firms owned their equipment. In the 1975 survey, 29% of the 1,058 using data processing for other than income tax returns owned equipment. In 1978 this percentage rose to 40%, and in 1981 was 59%.

Population size does not appear to influence the decision to use data processing equipment. Firm size, though, does influence the proportion of firms using data processing equipment for other than tax returns. Almost three-quarters of the two-partner firms use the computer, and 83% of the three-or-more-partner firms also use such equipment. Seventy-five percent of the professional corporations also use data processing equipment for other than tax returns. The number of employees in the firm also is related to the use of data processing equipment. Eighty-five percent of the firms with four or more full-time employees use data processing equipment.

Use of computer equipment increases with income. Sixty-nine percent of all firms with $50,000 or more in gross income use data processing equipment. At the other extreme, only 14% of the firms with under $20,000 gross income employ such equipment. Although in the 1969 survey there was a clear pattern of greater computer use by accountants with only a few years in practice than by those with many years' experience, this pattern did not show up in 1972, 1975, or 1978. The increased use of computers has affected all accountants, regardless of the number of years they have practiced, and the results of the current study continue to show this.

TABLE 12

Use of Data Processing Equipment by Selected Characteristics of Public Accounting Firms

		Data Processing for Other than Income Tax Returns		If Affirmative, Firm:			
						Uses Service Bureau	
		Firm Uses	Does not Use	Owns Data Processing Equipment	Leases the Equip.	Input Equip. in Office	No Input Equip. in Office
		No.	No.	No.	No.	No.	No.
Survey Totals	1972	846	1,539	164	70	284	328
	1975	1,058	1,631[1]	305	96	242	415
Number of Respondents	1978	1,488	1,643[2]	593	104	241	550
	1981	1,874	1,469[3]	1,101	126	174	473
Geographic & Population Data							
Region							
New England		94	123	48	7	6	33
Middle Atlantic		303	423	147	15	18	123
Southeast		374	236	247	21	41	65
Central		461	300	265	35	54	107
Northwest		136	80	91	12	8	25
Southwest		166	87	125	7	6	28
Far West		340	220	178	29	41	92
Metropolitan Area							
Chicago		43	16	11	5	11	16
Cleveland		13	14	6	1	1	5
Detroit		25	26	16	2	4	3
Los Angeles		58	39	26	2	8	20
Minneapolis-St. Paul		24	7	12	0	0	12
New York		57	92	13	2	1	38
Philadelphia		12	26	8	2	0	3
San Francisco		18	8	5	0	7	5
Washington, D.C.		17	12	9	2	2	5
Population Size							
Under 25,000		428	431	290	33	31	74
25,000 to 49,999		207	200	128	9	27	43
50,000 to 99,999		215	191	120	13	24	58
100,000 to 499,999		389	221	253	30	22	84
500,000 to 999,999		193	121	113	11	21	48
1,000,000 or more		442	305	197	30	49	166

[1]Does not add to 1975 total of 2,708 because of 19 who did not answer.

[2]Does not add to 1978 total of 3,175 because of 44 who did not answer.

[3]Does not add to 1981 total of 3,378 because of 35 who did not answer.

TABLE 12 *(Continued)*

Use of Data Processing Equipment by Selected Characteristics of Public Accounting Firms

	Data Processing for Other than Income Tax Returns		If Affirmative, Firm:			
					Uses Service Bureau	
	Firm Uses	Does not Use	Owns Data Processing Equipment	Leases the Equip.	Input Equip. in Office	No Input Equip. in Office
	No.	No.	No.	No.	No.	No.
Size of Firm						
Proprietor with no full-time employees	401	737	145	26	41	189
Proprietor with full-time employees	823	512	531	58	78	156
Two partners	338	127	231	17	25	65
Three or more partners	95	19	68	8	7	12
Professional Corporation	217	74	126	17	23	51
Employees of Firm						
One full-time employee	442	350	249	37	50	106
Two full-time employees	343	156	220	24	30	69
Three full-time employees	256	77	179	15	16	46
Four or more full-time employees	325	59	253	18	23	31
Gross Income						
Under $20,000	21	127	4	4	1	12
$20,000 to $29,999	94	226	40	8	8	38
$30,000 to $39,999	149	225	60	9	20	60
$40,000 to $49,999	147	190	70	15	15	47
$50,000 to $59,999	156	158	82	6	19	49
$60,000 to $74,999	236	178	134	21	20	61
$75,000 to $99,999	298	163	190	14	29	65
$100,000 to $199,999	516	168	336	33	43	104
$200,000 or more	257	34	185	16	19	37
Primary Source of Income						
Tax services	404	578	217	19	35	133
Accounting and write-up	1,442	866	871	105	137	329
Other (incl. auditing)	28	25	13	2	2	11
Years in Practice						
1 to 4 years	197	143	102	15	15	65
5 to 9 years	388	248	230	40	21	97
10 to 14 years	316	240	205	18	23	70
15 to 19 years	218	153	135	8	21	54
20 to 24 years	260	187	168	18	26	48
25 to 29 years	187	160	107	5	26	49
30 or more years	278	317	136	17	39	86

CHAPTER VI

Employee Costs, Income and Expenses

All income and expense data in this chapter are medians. Because of the extremes in income data (gross income data vary from $9,000 to $500,000), average net income data tend to be about 25% greater than the median figures. Since the median income figure represents the middle income (i.e., 50% of the respondents have incomes at or below the median and 50% have incomes at or above the median), it is a better measure of the middle value than the average in this case. The income data in this report have been rounded to the nearest $1,000, since most of these data are reported by respondents to the nearest $1,000.

All income data reported in the following tables are for the firm and not the individual or principal in the firm. For proprietorships, all net income, of course, goes to the principal, but in partnerships a determination must be made as to who gets which share of the income. Individual partners' net income share is reported in Table 14.

Because of the use of medians, figures in Table 14 may not add to the totals in some cases. Each median is the middle for that group of data and does not have any relationship to another median. Therefore, median net income and expense data will not always add to median gross income.

The gross income figure is a little better measure of a firm's position among all 3,378 respondents than the net income figure. This fact is due to the extremely wide variation in employee costs and expenses. Firms reporting the same gross income can have a large difference in net income. For example, two firms may report a $40,000 gross income, but one reports a $32,000 net income while the other shows a $24,000 net. The firm with the high net has no full-time empoyees and has office facilities at home. The other firm has one full-time employee, or rents office space, etc. The data in Table 13 clearly show these factors at work.

Gross and Net Income, 1979, 1980 and 1981

Respondents were asked to report the gross and net incomes of their firms for 1979 and 1980. The 1981 data are taken from the estimated income and expense data requested of each respondent. Although the 1981 data are contained in Table 14, they are also added to Table 13 to provide three years' comparison.

In the three years (1979–1981), the median gross income of all the firms increased 21%, $52,000 to $63,000 (see Table 13). In the same period, median net income increased 23%, from $26,000 to $32,000.

Gross income in 1981 by region varies by $23,000, while net income varies by $9,000. In the Southeast region net income in 1981 is $28,000 on a $57,000 gross, while in the Far West the net is $37,000 on a $76,000 gross.

All regions had growth in gross incomes for each of the three years covered. The Far West region registered the greatest growth, increasing $15,000 from 1979 to 1981. The Far West region also had the highest gross income ($76,000) of any of the regions in 1981. New York firms estimate their median gross income for 1981 at $61,000, with a net of $38,000. In Los Angeles, firms estimate their 1981 gross at $86,000 with a net of $51,000.

Both net and gross income increases consistently as population size goes up, with only one exception. The size of the firm and the number of employees influence the median gross and net income. As these magnitudes increase, so do the median gross and net income. The 1981 median net income for a two-partner firm is $55,000. This is a 31% increase over the 1979 net income for these firms. There was a 44% increase in net income of three-or-more-partner firms since 1979.

Firms specializing in tax services are generally smaller than accounting and write-up firms. Both the gross and net incomes for tax service firms are below those of accounting and auditing firms. In 1981, the net incomes of all three types of firms represented approximately one-half of their gross incomes. The net income of auditing firms is a slightly higher percentage of gross income than for the other two types of firms.

Income by years in practice increases steadily up to 24 years. This is true of both gross and net incomes.

1981 Income, Employee Costs, and Other Expenses

The survey questionnaire asked all respondents to estimate and report their gross income, employee costs, net income before expenses other than employee costs and net income before taxes and drawings of principals. For partnerships, the share of the income received by the partner filling out the questionnaire was requested. All of this information is shown in Table 14.

As stated above, the data do not always add to the totals. For example, the median gross income for all firms reporting is $63,000. The employee costs are $19,000, but the median net income before other expenses is $48,000, not $44,000. The major reason for this difference is that not all firms have employee costs. Therefore, they are eliminated in the calculation of the median employee cost.

Partner share of net income is reported separately. The median net income for the responding partners is $33,000. This is the median income share of 505 partners who reported their share of net income. The majority of partners split evenly, particularly the two-partner firms where each receives 50% of the net income. Usually when the split is not even, a young partner is buying out the senior partner so he can retire. In this latter case, a one-third/two-thirds split is often made, one-third going to the retiring partner who is not working full time in the practice. There was a 22% increase in the individual partner net income share between 1978 and 1981. Since 1971 an individual partner's share has increased 65%.

Table 14 shows estimated 1981 income and expenses by one more characteristic than all of the other tables. Net income as a characteristic has been added to this table to show the median income of each group. In making the comparison between gross and net income, the practicing accountant should take into consideration the significant differences from one firm to another in employee costs and other expenses. Because of the use of medians, some of the data have wide gaps, such as the difference between gross income of firms with four or more full-time employees, $192,000, and employee costs of $65,000, with a net before expenses of $115,000.

The current survey shows some difference in the individual partner's share as the number of partners in the firm increases. Partners in a two-partner firm have a median share of $31,000, while those in three-or-more-partner firms show a median share of $37,000. In the previous survey there was almost no difference in partner shares. The individual partner net income share in a two-partner firm increased 15% between 1978 and 1981, while in a three-or-more partner firm the net income share increased by 42%.

Table 15 is a special table showing the number of respondents by gross income level for the survey and for the firm size and primary source of income. From this table it is easy to see how many firms fall into each income bracket. Slightly over half of all reporting firms have gross incomes under $66,000. Eighteen percent of the professional corporations have gross incomes under $54,000, while 94% of the three-or-more-partner firms have gross incomes over that amount.

1981 Median Net Income for Size of Firm

Data in Table 16 show net income by size of firm by all eight characteristics. The regional data show a wide variation in the net income of partnerships. Net income of two-partner firms ranges from $43,000 in the Southeast region to $70,000 in the Northwest. Three-or-more-partner firms have a range in net income from $44,000 in the Southwest to $103,000 in the Central region. For proprietorships, net income generally increases with population size. For two-partner firms, however, the pattern is mixed. There is also a somewhat mixed pattern to the net income data classified by years in practice.

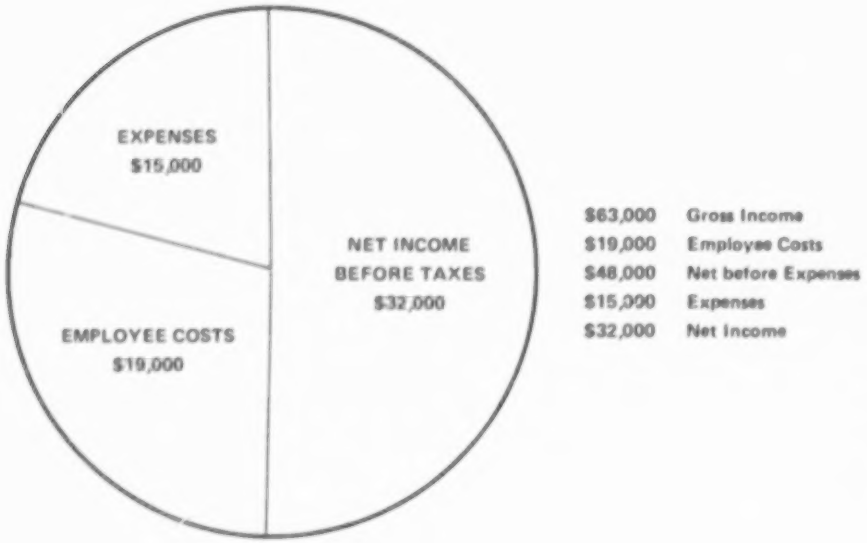


FIGURE 8. MEDIAN GROSS INCOME, WAGES, EXPENSES AND NET INCOME

*Income data will not add because of the use of medians and rounding to thousands

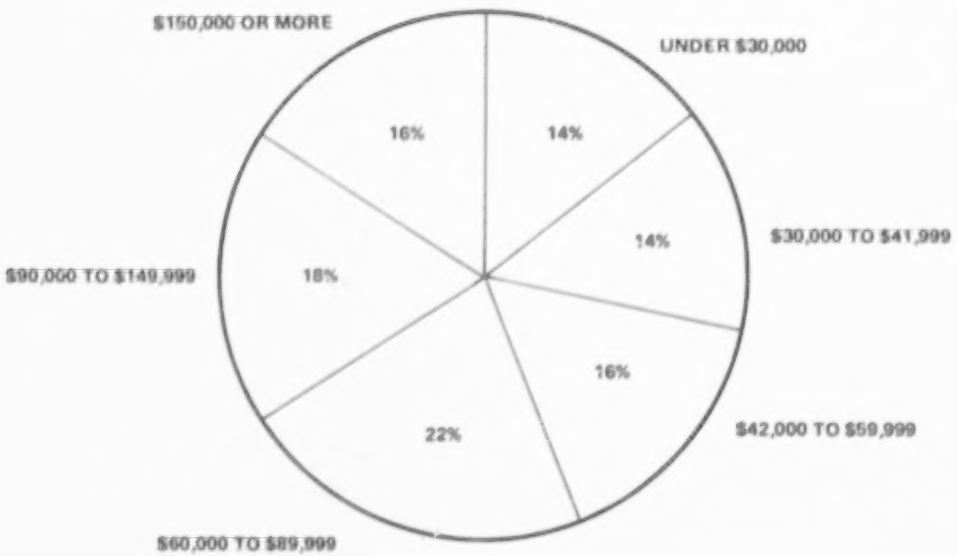


FIGURE 9. DISTRIBUTION OF GROSS INCOME OF ALL RESPONDENT FIRMS

TABLE 13

Median Gross and Net Income for 1979, 1980, and 1981 by Selected Characteristics of Public Accounting Firms

	1979 Income		1980 Income		1981 Estimated Income	
	Gross	Net	Gross	Net	Gross	Net
	$	$	$	$	$	$
Survey Totals						
Median	52,000	26,000	58,000	30,000	63,000	32,000
Geographic & Population Data						
Region						
New England	47,000	25,000	51,000	29,000	53,000	31,000
Middle Atlantic	50,000	28,000	56,000	31,000	61,000	34,000
Southeast	46,000	23,000	51,000	26,000	57,000	28,000
Central	59,000	28,000	63,000	31,000	67,000	32,000
Northwest	56,000	25,000	58,000	28,000	64,000	31,000
Southwest	53,000	25,000	59,000	28,000	65,000	31,000
Far West	61,000	30,000	65,000	32,000	76,000	37,000
Metropolitan						
Chicago	65,000	35,000	71,000	39,000	72,000	42,000
Cleveland	53,000	31,000	59,000	37,000	64,000	37,000
Detroit	70,000	36,000	65,000	36,000	66,000	35,000
Los Angeles	62,000	36,000	65,000	41,000	86,000	51,000
Minneapolis-St. Paul	59,000	27,000	66,000	30,000	78,000	41,000
New York	49,000	32,000	55,000	35,000	61,000	38,000
Philadelphia	41,000	24,000	44,000	29,000	49,000	30,000
San Francisco	56,000	33,000	53,000	32,000	91,000	38,000
Washington, D.C.	63,000	31,000	72,000	37,000	77,000	35,000
Population Size						
Under 25,000	49,000	24,000	53,000	26,000	58,000	27,000
25,000 to 49,999	50,000	25,000	55,000	28,000	61,000	31,000
50,000 to 99,999	54,000	25,000	60,000	29,000	63,000	31,000
100,000 to 499,999	54,000	27,000	61,000	30,000	65,000	33,000
500,000 to 999,999	55,000	26,000	62,000	31,000	68,000	34,000
1,000,000 or more	55,000	31,000	62,000	34,000	68,000	38,000

TABLE 13 *(Continued)*

Median Gross and Net Income for 1979, 1980, and 1981 by Selected Characteristics of Public Accounting Firms

	1979 Income		1980 Income		1981 Estimated Income	
	Gross	Net	Gross	Net	Gross	Net
	$	$	$	$	$	$
Size of Firm						
Proprietor with no full-time employees	28,000	19,000	31,000	21,000	34,000	22,000
Proprietor with full-time employees	63,000	28,000	70,000	31,000	77,000	34,000
Two partners	92,000	42,000	100,000	49,000	115,000	55,000
Three or more partners	153,000	64,000	164,000	80,000	156,000	92,000
Professional Corporation	71,000	31,000	77,000	36,000	92,000	41,000
Employees of Firm						
One full-time employee	51,000	25,000	56,000	28,000	62,000	31,000
Two full-time employees	71,000	30,000	79,000	34,000	89,000	37,000
Three full-time employees	95,000	38,000	109,000	44,000	123,000	50,000
Four or more full-time employees	160,000	53,000	176,000	62,000	192,000	[illegible]000
1981 Gross Income						
Under $20,000	14,000	9,000	15,000	10,000	16,000	11,000
$20,000 to $29,999	20,000	13,000	22,000	14,000	25,000	15,000
$30,000 to $39,999	28,000	17,000	31,000	20,000	34,000	22,000
$40,000 to $49,999	36,000	21,000	40,000	24,000	45,000	26,000
$50,000 to $59,999	46,000	24,000	50,000	26,000	54,000	29,000
$60,000 to $74,999	54,000	26,000	60,000	30,000	65,000	34,000
$75,000 to $99,999	68,000	31,000	77,000	35,000	85,000	40,000
$100,000 to $199,999	101,000	43,000	116,000	50,000	128,000	55,000
$200,000 or more	199,000	75,000	218,000	87,000	236,000	101,000
Primary Source of Income						
Tax services	42,000	24,000	48,000	26,000	53,000	28,000
Accounting and write-up	57,000	27,000	63,000	31,000	67,000	33,000
Other (incl. auditing)	63,000	41,000	74,000	50,000	91,000	53,000
Years in Practice						
1 to 4 years	35,000	19,000	40,000	21,000	49,000	25,000
5 to 9 years	46,000	23,000	53,000	26,000	62,000	30,000
10 to 14 years	49,000	25,000	56,000	28,000	63,000	32,000
15 to 19 years	58,000	28,000	62,000	31,000	65,000	33,000
20 to 24 years	64,000	30,000	70,000	33,000	72,000	36,000
25 to 29 years	61,000	30,000	65,000	33,000	71,000	36,000
30 or more years	58,000	30,000	61,000	32,000	64,000	34,000

TABLE 14

1981 Median Gross Income, Employee Costs, Other Expenses, Net Income, and Individual Partner's Net Income[1] by Selected Characteristics of Public Accounting Firms

		Estimated 1981 Gross and Net Income[2]						
		All Respondents	Gross Income	Employee Costs	Net before Expenses	Other Expenses	Net Income	Indiv. Partner Net Income Share
		No.	$	$	$	$	$	$
Survey Totals								
Median	1972	2,385	35,000	10,000	26,000	7,000	19,000	20,000
	1975	2,708	40,000	11,000	31,000	9,000	22,000	23,000
	1978	3,175	50,000	15,000	39,000	11,000	27,000	27,000
	1981	3,378	63,000	19,000	48,000	15,000	32,000	33,000
Georgraphic & Population Data								
Region								
New England		219	53,000	15,000	44,000	11,000	31,000	34,000
Middle Atlantic		733	61,000	17,000	47,000	13,000	34,000	40,000
Southeast		615	57,000	16,000	43,000	14,000	28,000	29,000
Central		769	67,000	21,000	49,000	16,000	32,000	30,000
Northwest		218	64,000	22,000	48,000	16,000	31,000	38,000
Southwest		254	65,000	19,000	48,000	18,000	31,000	23,000
Far West		570	76,000	23,000	56,000	20,000	37,000	37,000
Metropolitan Area								
Chicago		59	72,000	21,000	55,000	14,000	42,000	42,000
Cleveland		27	64,000	18,000	49,000	11,000	37,000	38,000
Detroit		52	66,000	23,000	51,000	16,000	35,000	26,000
Los Angeles		97	86,000	30,000	69,000	21,000	51,000	49,000
Minneapolis-St. Paul		31	78,000	16,000	62,000	21,000	41,000	*
New York		151	61,000	12,000	50,000	12,000	38,000	50,000
Philadelphia		39	49,000	11,000	41,000	12,000	30,000	30,000
San Francisco		26	91,000	26,000	67,000	17,000	38,000	46,000
Washington, D.C.		29	77,000	19,000	57,000	16,000	35,000	30,000
Population Size								
Under 25,000		869	58,000	17,000	42,000	14,000	27,000	30,000
25,000 to 49,999		409	61,000	18,000	45,000	13,000	31,000	27,000
50,000 to 99,999		412	63,000	19,000	47,300	15,000	31,000	31,000
100,000 to 499,999		617	65,000	19,000	49,000	16,000	33,000	37,000
500,000 to 999,999		316	68,000	21,000	53,000	16,000	34,000	34,000
1,000,000 or more		755	68,000	20,000	54,000	16,000	38,000	39,000

[1]Figures shown include both single-proprietorship and partner firms.
[2]Because of the use of medians, the data will not always add to the appropriate totals.
*Data insufficient to report separately.

TABLE 14 *(Continued)*

1981 Median Gross Income, Employee Costs, Other Expenses, Net Income, and Individual Partner's Net Income[1] by Selected Characteristics of Public Accounting Firms

	Estimated 1981 Gross and Net Income[2]						
	All Respondents	Gross Income	Employee Costs	Net before Expenses	Other Expenses	Net Income	Indiv. Partner Net Income Share
	No.	$	$	$	$	$	$
Size of Firm							
Proprietor with no full-time employees	1,160	34,000	5,000	32,000	9,000	22,000	**
Proprietor with full-time employees	1,342	77,000	23,000	53,000	18,000	34,000	**
Two partners	468	115,000	29,000	82,000	28,000	55,000	31,000
Three or more partners	115	156,000	44,000	111,000	41,000	92,000	37,000
Professional Corporation	293	92,000	27,000	66,000	25,000	41,000	**
Employees of Firm							
One full-time employee	797	62,000	15,000	46,000	15,000	31,000	26,000
Two full-time employees	501	89,000	27,000	58,000	21,000	37,000	31,000
Three full-time employees	335	123,000	41,000	81,000	31,000	50,000	40,000
Four or more full-time employees	385	192,000	65,000	115,000	48,000	70,000	45,000
1981 Gross Income							
Under $20,000	155	10,000	2,000	15,000	4,000	11,000	*
$20,000 to $29,999	328	25,000	4,000	22,000	6,000	15,000	*
$30,000 to $39,999	382	34,000	6,000	31,000	9,000	22,000	14,000
$40,000 to $49,999	339	45,000	9,000	37,000	11,000	26,000	15,000
$50,000 to $59,999	316	54,000	12,000	42,000	12,000	29,000	16,000
$60,000 to $74,999	415	65,000	17,000	50,000	16,000	34,000	21,000
$75,000 to $99,999	466	85,000	24,000	61,000	21,000	40,000	23,000
$100,000 to $199,999	686	128,000	40,000	90,000	35,000	55,000	36,000
$200,000 or more	291	236,000	68,000	158,000	59,000	101,000	51,000
1981 Net Income							
Under $15,000	385	21,000	6,000	18,000	7,000	12,000	*
$15,000 to $19,999	360	32,000	9,000	26,000	10,000	17,000	13,000
$20,000 to $24,999	409	42,000	11,000	34,000	12,000	22,000	12,000
$25,000 to $29,999	373	50,000	15,000	39,000	12,000	27,000	15,000
$30,000 to $39,999	586	64,000	17,000	49,000	15,000	34,000	20,000
$40,000 to $49,999	410	90,000	24,000	66,000	21,000	44,000	24,000
$50,000 to $74,999	495	122,000	32,000	87,000	27,000	59,000	33,000
$75,000 to $99,999	176	170,000	44,000	122,000	37,000	82,000	42,000
$100,000 or more	184	235,000	61,000	163,000	50,000	121,000	56,000
Primary Source of Income							
Tax services	1,001	53,000	14,000	41,000	12,000	28,000	28,000
Accounting and write-up	2,323	67,000	21,000	50,000	16,000	33,000	36,000
Other (incl. auditing)	54	91,000	28,000	73,000	18,000	53,000	42,000
Years in Practice							
1 to 4 years	344	49,000	12,000	39,000	12,000	25,000	22,000
5 to 9 years	639	62,000	17,000	46,000	15,000	30,000	31,000
10 to 14 years	561	63,000	17,000	48,000	16,000	32,000	31,000
15 to 19 years	376	65,000	18,000	50,000	16,000	33,000	37,000
20 to 24 years	454	72,000	24,000	52,000	18,000	36,000	41,000
25 to 29 years	348	71,000	22,000	50,000	15,000	36,000	36,000
30 or more years	602	64,000	21,000	49,000	14,000	34,000	36,000

[1]Figures shown include both single-proprietorship and partner firms.
[2]Because of the use of medians, the data will not always add to the appropriate totals.
*Data insufficient to report separately.
**No data reported.

TABLE 15

Distribution of 1981 Gross Income by Size of Firm and Primary Source of Income

		All Respondents	Percentage Distribution of all Respondents	Proprietorships		Partnerships		Professional Corporation	Primary Source of Income		
				With No Full-Time Employees	With Full-Time Employees	Two Partners	Three or more		Tax Services	Accounting and Write-up	Other including Auditing
Median	1972	$35,000		$20,000	$42,000	$ 56,000	$140,000	N.A.	$30,000	$36,000	$51,000
	1975	$40,000		$24,000	$50,000	$ 80,000	$132,000	N.A.	$34,000	$41,000	$42,000
	1978	$50,000		$31,000	$63,000	$ 95,000	$137,000	N.A.	$46,000	$51,000	$63,000
	1981	$63,000		$34,000	$77,000	$115,000	$156,000	$92,000	$53,000	$67,000	$91,000
Range of Gross Income		No.	%	No.	No.	No.	No.	No.	No.	No.	No.
9,000 to 17,999		116	3.4%	111	1	1	0	3	64	52	0
18,000 to 23,999		175	5.2%	165	7	3	0	0	76	95	4
24,000 to 29,999		193	5.7%	158	22	10	1	2	70	122	1
30,000 to 35,999		280	8.3%	216	39	9	1	15	108	168	4
36,000 to 41,999		210	6.2%	126	61	12	2	9	64	144	2
42,000 to 47,999		171	5.1%	86	63	9	2	11	46	122	3
48,000 to 53,999		224	6.6%	87	105	17	1	14	78	145	1
54,000 to 59,999		148	4.4%	38	84	11	2	13	44	104	0
60,000 to 65,999		240	7.1%	51	137	29	3	20	67	172	1
66,000 to 71,999		132	3.9%	34	76	14	1	7	43	85	4
72,000 to 80,999		241	7.1%	39	139	32	0	31	64	173	4
81,000 to 89,999		115	3.4%	13	72	19	2	9	31	83	1
90,000 to 99,999		147	4.4%	13	86	30	3	15	39	103	5
100,000 to 119,999		228	6.7%	16	136	32	14	30	52	175	1
120,000 to 149,999		235	7.0%	4	130	55	7	39	54	175	6
150,000 to 179,999		168	5.0%	2	78	52	11	25	41	122	5
180,000 to 249,999		187	5.5%	1	65	74	20	27	31	149	7
250,000 or more		168	5.0%	0	41	59	45	23	29	134	5
Total Reporting		3,378	100.0%	1,160	1,342	458	115	293	1,001	2,323	54

N.A. Data on professional corporations not reported prior to 1981.

TABLE 16

1981 Median Net Income for Size of Firm by Selected Characteristics of Public Accounting Firms

		Proprietorship		Partnership		Professional Corporation
		With no Full-Time Empl.	With Full-Time Empl.	Two Partners	Three or More	
		$	$	$	$	$
Survey Totals						
	1972	14,000	21,000	35,000	66,000	N.A.
	1975	16,000	24,000	40,000	66,000	N.A.
Median	1978	20,000	29,000	50,000	72,000	N.A.
	1981	22,000	33,000	55,000	92,000	41,000
Geographic & Population Data						
Region						
New England		21,000	33,000	61,000	*	49,000
Middle Atlantic		25,000	37,000	67,000	92,000	41,000
Southeast		20,000	29,000	43,000	81,000	37,000
Central		20,000	34,000	51,000	103,000	43,000
Northwest		20,000	35,000	70,000	101,000	30,000
Southwest		21,000	33,000	47,000	44,000	36,000
Far West		25,000	41,000	58,000	82,000	45,000
Metropolitan Area						
Chicago		27,000	49,000	72,000	*	44,000
Cleveland		29,000	36,000	*	*	*
Detroit		18,000	46,000	42,000	0	43,000
Los Angeles		35,000	52,000	82,000	*	57,000
Minneapolis-St. Paul		22,000	41,000	*	*	*
New York		33,000	46,000	75,000	161,000	*
Philadelphia		23,000	31,000	50,000	0	*
San Francisco		26,000	58,000	*	*	*
Washington, D.C.		28,000	46,000	40,000	*	43,000
Population Size						
Under 25,000		19,000	28,000	55,000	98,000	41,000
25,000 to 49,999		21,000	32,000	51,000	72,000	46,000
50,000 to 99,999		20,000	35,000	44,000	72,000	34,000
100,000 to 499,999		21,000	35,000	57,000	86,000	40,000
500,000 to 999,999		24,000	36,000	51,000	62,000	42,000
1,000,000 or more		28,000	43,000	62,000	103,000	44,000

*Data insufficient to report separately.
**No Answer.
N.A. Data on professional corporations not reported prior to 1981.

TABLE 16 *(Continued)*

1981 Median Net Income for Size of Firm by Selected Characteristics of Public Accounting Firms

	Proprietorship		Partnership		Professional Corporation
	With No Full-Time Empl.	With Full-Time Empl.	Two Partners	Three or More	
	$	$	$	$	$
Size of Firm					
Proprietor with no full-time employees	22,000	**	**	**	**
Proprietor with full-time employees	**	33,000	**	**	**
Two partners	**	**	55,000	**	**
Three or more partners	**	**	**	92,000	**
Professional Corporation	**	**	**	**	41,000
Employees of Firm					
One full-time employee	**	29,000	47,000	57,000	32,000
Two full-time employees	**	33,000	55,000	71,000	37,000
Three full-time employees	**	43,000	71,000	62,000	45,000
Four or more full-time employees	**	50,000	86,000	116,000	55,000
Gross Income					
Under $20,000	11,000	*	*	**	*
$20,000 to $29,999	16,000	12,000	12,000	*	*
$30,000 to $39,999	23,000	17,000	25,000	*	18,000
$40,000 to $49,999	30,000	21,000	28,000	*	25,000
$50,000 to $59,999	36,000	26,000	26,000	*	25,000
$60,000 to $74,999	41,000	30,000	39,000	*	28,000
$75,000 to $99,999	56,000	37,000	43,000	47,000	37,000
$100,000 to $199,999	65,000	51,000	66,000	64,000	50,000
$200,000 or more	**	66,000	103,000	136,000	87,000
Primary Source of Income					
Tax services	21,000	34,000	48,000	62,000	35,000
Accounting and write-up	24,000	33,000	56,000	102,000	41,000
Other (incl. auditing)	32,000	49,000	101,000	*	51,000
Years in Practice					
1 to 4 years	18,000	30,000	40,000	*	33,000
5 to 9 years	22,000	31,000	53,000	61,000	34,000
10 to 14 years	22,000	32,000	52,000	92,000	41,000
15 to 19 years	25,000	35,000	61,000	89,000	43,000
20 to 24 years	22,000	36,000	79,000	82,000	45,000
25 to 29 years	28,000	34,000	56,000	100,000	41,000
30 or more years	25,000	37,000	56,000	101,000	45,000

*Data insufficient to report separately.
**No answer.

CHAPTER VII

Characteristics of the Sample

The final four tables (Tables 17, 18, 19 and 20) have been included to give the practicing accountant an idea of the distribution of the 3,378 respondents according to income brackets, size of firm, source of income and geographical regions. In addition, Table 20 was added to this report to give a profile of the participating accountant.

Table 17 indicates the number of respondents falling into each characteristic category by the 10 gross income classifications. It can be seen that 73 firms in the Central region have gross incomes from $30,000 to $39,999, or that 161 firms in the study are primarily tax service firms with gross incomes of $100,000 to $199,999.

There is little relationship between gross income and population size. The highest number of firms is in the $100,000 to $199,999 bracket for all six population categories. However, in no population category does the number of firms build up to the highest number and then drop off again in a regular pattern.

Size of firm and source of income characteristics are compared with metropolitan area, population and net income in Table 18. The primary source of income is write-up and accounting in all population categories. In areas of under 25,000 population, write-up and accounting provides three-fifths of the income, while in all other population categories, as the population rises, the proportion rises to about three-quarters.

Only 47 of the 293 professional corporations reporting are located in the nine large metropolitan areas which were selected for special attention in this study. About three-quarters of these corporations are located in cities of less than one million population, and 72 are reported from cities of less than 50,000 population.

Table 19 shows geographical regions by three characteristics: population, net income, and years in practice. There are significant differences in the distribution of respondents by population by region. The single largest group of respondents are in either the smallest or largest population categories in each region. For example, 36% of the firms in the Middle Atlantic region are located in cities of one million or more. At the other extreme, only 8% of the responding firms in the Southeast are located in cities of one million or more.

Comparability of the samples from the four surveys is measured to some extent by the percentage distributions at the tops of Tables 18 and 19. The percentage distribution at the top of Table 17 must change as the economy changes. It is to be expected that an increasing portion of firms would be in the higher gross income brackets as inflationary pressures continue.

However, Tables 18 and 19 describe types of firms and their geographic locations. If these percentages remain relatively the same from one survey to another, then we know that the data can be validly compared from one study to another. We know that the figures in each study represent similar groups of accountants in practice in the United States.

We can see that in Table 18 the major change is that we are now able to report professional corporations. As a consequence, some firms which were reported in previous studies as proprietorships and partnerships are now corporations. However, we see that there is only the slightest change in the proportion of proprietorships with no full-time employees from the last survey—34.4% to 34.3%. This type of firm is the least likely to have incorporated since the last survey. There has been a steady increase in the percentage of firms in the sample whose primary source of income is tax services. Correspondingly, the proportion of write-ups and accounting firms has declined.

None of the changes is sufficient in a sample of such large size to create incomparability of the four surveys. We are dealing in all four studies

with quite similar samples, and the trends in the data should be considered meaningful for public accountants.

Profile of the Accountant

This new table gives a profile of the individual accountant responding to this survey, rather than information on the firm. The data are shown by three characteristics of the firm: size, gross income, and primary source of income.

Fifty-seven percent of the respondents to this survey are certified, licensed or registered practitioners (1,868 or 3,298 answering the question). None of the firm characteristics has much influence on whether or not the respondent is certified, licensed or registered.

Fifty-six percent of the respondents are enrolled to practice before the IRS. Since those answering the questionnaire are generally proprietors or senior partners, we can conclude that not all firms have someone so enrolled. Enrollment to practice before the IRS is related to all three characteristics listed. The smallest firms have the smallest percentage (46%) of practitioners enrolled to practice before the IRS, while 71% of the three-or-more-partner firms do. Similarly, as the gross income of the firm increases, so does the percentage of practitioners enrolled to practice before the IRS.

The educational level of responding practitioners is very high in this survey. Sixty-three percent have four or more years of college education, and 94% have at least one year of college. Because almost all the respondents are college-educated, there is not much variation in the data in terms of the various firm characteristics listed. There is some correlation between gross income of the firm and four or more years of college education, but the principal difference is in the percentage reporting post graduate studies. Sixteen percent of the practitioners in firms with under $20,000 gross income have more than four years of college education, while 30% of those in firms with $200,000 or more gross income have graduate studies. A number of the people with more than four years of college reported they have master's degrees or law degrees.

The average age of all respondents to this survey is 52 years. Because the survey was completed by the owner or senior partner, it is not surprising to find one-third of the respondents in the 55–64 year age group. With another 9% at 65 or older, a total of 41% of all the respondents are over 54 years of age. Most of the professional corporations are run by younger accountants, while the larger partnerships (three or more partners) are run by individuals who are 55 or older.

While there are many women working in public accounting, 90% of the respondents (owners/partners) to this year' survey were male and 10% female. Women who head their own firm were owners of small firms (48% have proprietorships with no full-time employees) and 38% specialize in tax services. Only 29% of the firms operated by males specialize in tax services.

TABLE 17

Sample Characteristics by Gross Income

	Estimated 1981 Income								
	Under $20,000	$20,000 $29,999	$30,000 $39,999	$40,000 $49,999	$50,000 $59,999	$60,000 $74,999	$75,000 $99,999	$100,000 $199,999	$200,000 or More
Total Respondents 1981	155	328	382	339	316	415	466	686	291
Percentage Distribution	4.6%	9.7%	11.3%	10.0%	9.4%	12.3%	13.8%	20.3%	8.6%
Region									
New England	12	29	29	25	24	28	31	33	8
Middle Atlantic	36	71	109	68	64	86	97	146	56
Southeast	35	70	63	77	69	94	89	90	28
Central	33	69	73	77	67	93	100	165	92
Northwest	13	26	18	25	14	24	33	45	20
Southwest	8	26	29	26	23	31	39	54	18
Far West	18	37	61	41	55	59	77	153	69
Population Size									
Under 25,000	54	103	95	96	91	107	123	144	56
25,000 to 49,999	18	42	49	51	37	54	55	65	38
50,000 to 99,999	14	45	47	31	50	45	56	90	34
100,000 to 499,999	35	49	65	58	52	77	89	137	55
500,000 to 999,999	11	30	36	33	17	41	38	82	28
1,000,000 or more	23	59	90	70	69	91	105	168	80
Size of Firm									
Proprietor with no full-time employees	149	284	282	172	101	95	56	21	0
Proprietor with full time employees	1	29	66	123	164	238	275	365	81
Two partners	2	12	13	21	25	46	79	164	106
Three or more partners	0	1	2	3	3	4	5	36	61
Professional Corporation	3	2	19	20	23	32	51	100	43
Years in Practice									
1 to 4 years	36	61	47	30	30	52	34	43	11
5 to 9 years	27	65	82	64	55	88	95	124	39
10 to 14 years	32	56	62	60	51	62	76	108	54
15 to 19 years	17	21	42	40	37	50	43	85	41
20 to 24 years	15	38	44	36	39	52	54	116	60
25 to 29 years	3	28	32	38	35	42	53	81	36
30 or more years	23	52	67	66	63	69	98	120	44
Primary Source of Income									
Tax services	85	125	136	104	101	124	120	161	45
Accounting and write-up	70	198	241	230	215	285	337	511	236
Other (incl. auditing)	0	5	5	5	0	6	9	14	10

TABLE 18

Sample Characteristics by Size of Firm and Primary Source of Income

		Size of Firm					Primary Source of Income		
		Proprietorship		Partnership					
		No Full-Time Empl.	With Full-Time Empl.	Two Partners	Three or more	Professional Corporation	Tax Service	Write-up and Accounting	Other including Auditing
Total Respondents	1972	747	1,267	292	76	N.A.	535	1,802	48
	1975	969	1,349	321	69	N.A.	634	2,022	52
	1978	1,093	1,615	368	99	N.A.	749	2,376	50
	1981	1,160	1,342	468	115	293	1,001	2,323	54
Percentage Distribution	1981	34.3%	39.7%	13.9%	3.4%	8.7%	29.6%	68.8%	1.6%
Metropolitan Area									
Chicago		22	17	10	2	8	9	50	0
Cleveland		10	11	4	1	1	4	23	0
Detroit		12	22	6	0	12	7	44	1
Los Angeles		38	31	15	2	11	32	62	3
Minneapolis-St. Paul		11	10	5	1	4	6	24	1
New York		91	32	19	5	4	28	120	3
Philadelphia		21	11	6	0	1	10	29	0
San Francisco		10	10	4	1	1	9	15	2
Washington, D.C.		11	4	8	1	5	8	21	0
Population Size									
Under 25,000		291	391	114	22	51	335	526	8
25,000 to 49,999		128	190	55	15	21	128	272	9
50,000 to 99,000		128	180	47	18	39	119	286	7
100,000 to 499,999		197	243	76	31	70	172	435	10
500,000 to 999,999		106	108	60	8	34	82	230	4
1,000,000 or more		310	230	116	21	78	165	574	16
Net Income									
Under $15,000		266	90	15	0	14	166	218	1
$15,000 to $19,999		212	108	16	4	20	130	225	5
$20,000 to $24,999		190	158	22	8	31	143	262	4
$25,000 to $29,999		144	172	27	1	29	99	271	3
$30,000 to $39,999		194	281	61	6	44	162	419	5
$40,000 to $49,999		78	212	63	4	53	107	296	7
$50,000 to $74,999		64	226	116	26	63	120	362	13
$75,000 to $99,999		10	64	73	10	19	43	126	7
$100,000 or more		2	31	75	56	20	31	144	9

N.A. Data on Professional Corporations Not Reported Prior To 1981.

TABLE 19

Sample Characteristics by Geographical Regions

		Geographical Regions						
		New England	Mid-Atlantic	Southeast	Central	Northwest	Southwest	Far West
Total Respondents	1972	189	454	415	589	141	184	413
	1975	221	521	548	664	146	201	407
	1978	241	634	618	773	190	250	469
	1981	219	733	615	769	218	254	570
Percentage Distribution		6.5%	21.7%	18.2%	22.8%	6.4%	7.5%	16.9%
Population Size								
Under 25,000		67	160	191	218	88	61	84
25,000 to 49,999		52	93	78	81	23	29	53
50,000 to 99,999		45	100	63	84	23	25	72
100,000 to 499,999		34	90	157	112	48	58	118
500,000 to 999,999		6	29	75	64	14	40	88
1,000,000 or more		15	261	51	210	22	41	155
Net Income								
Under $15,000		25	70	90	86	25	36	53
$15,000 to $19,999		30	77	63	92	31	25	42
$20,000 to $24,999		24	95	92	83	24	30	61
$25,000 to $29,999		26	75	85	80	21	29	57
$30,000 to $39,999		48	119	111	127	38	48	95
$40,000 to $49,999		28	91	74	83	26	36	72
$50,000 to $74,999		27	113	63	129	26	29	108
$75,000 to $99,999		8	36	23	41	13	13	42
$100,000 or more		3	57	14	48	14	8	40
Years in Practice								
1 to 4 years		21	70	68	67	26	28	64
5 to 9 years		27	145	130	153	45	53	86
10 to 14 years		37	127	112	122	37	46	80
15 to 19 years		27	81	76	86	24	27	55
20 to 24 years		33	89	84	113	30	34	71
25 to 29 years		19	72	62	80	21	27	67
30 or more years		52	142	76	136	33	37	126

TABLE 20

Profile of the Accountant

	Certified, Licensed or Registered Practitioner			Enrolled to Practice Before the Internal Revenue Service		
	Yes	No	No Answer	Yes	No	No Answer
Survey Total	1,868	1,430	80	1,848	1,443	87
Size of Firm						
Proprietor with no full-time employees	665	464	31	516	612	32
Proprietor with full-time employees	742	567	33	784	528	30
Two partners	256	205	7	287	167	14
Three or more partners	67	48	0	80	33	2
Professional Corporation	138	146	9	181	103	9
Gross Income						
Under $20,000	81	72	2	55	99	1
$20,000 to $29,999	157	156	15	135	182	11
$30,000 to $39,999	209	163	10	173	198	11
$40,000 to $49,999	197	129	13	159	174	6
$50,000 to $59,999	179	134	3	167	145	4
$60,000 to $74,999	221	184	10	229	179	7
$75,000 to $99,999	252	203	11	249	208	9
$100,000 to $199,999	366	287	13	473	187	26
$200,000 or more	186	102	3	208	71	12
Primary Source of Income						
Tax services	554	419	28	585	387	29
Accounting and write-up	1,275	996	52	1,233	1,033	57
Other (incl. auditing)	39	15	0	30	23	1

TABLE 20 *(Continued)*

Profile of the Accountant

		College				
	1-4 years High School	1 Year	2 Years	3 Years	4 Years	More Than 4 Years
Survey Total[1]	214	127	605	295	1,243	858
Size of Firm						
Proprietor with no full-time employees	70	41	211	102	408	309
Proprietor with full-time employees	92	55	258	123	500	304
Two partners	29	14	81	34	175	131
Three or more partners	3	4	16	12	42	32
Professional Corporation	14	13	39	24	118	82
Gross Income						
Under $20,000	19	3	46	9	52	25
$20,000 to $29,999	24	16	59	29	107	85
$30,000 to $39,999	17	14	74	46	125	100
$40,000 to $49,999	25	18	55	36	126	72
$50,000 to $59,999	23	16	61	33	107	76
$60,000 to $74,999	25	10	69	30	156	122
$75,000 to $99,999	28	24	84	37	175	114
$100,000 to $199,999	41	19	120	54	269	179
$200,000 or more	12	7	37	21	126	85
Primary Source of Income						
Tax services	65	47	186	82	328	283
Accounting and write-up	148	80	412	210	892	555
Other (incl. auditing)	1	0	7	3	23	20

[1]Does not add to survey total because of 36 who did not answer.

TABLE 20 *(Continued)*

Profile of the Accountant

	Age at Last Birthday[1]					Gender[2]	
	21–34	35–44	45–54	55–64	65 and Over	Male	Female
Survey Total	298	716	935	1,075	290	3,023	321
Size of Firm							
Proprietor with no full-time employees	111	239	298	389	95	985	155
Proprietor with full-time employees	94	286	387	437	111	1,228	105
Two partners	56	97	133	130	48	424	40
Three or more partners	14	19	27	43	9	110	5
Professional Corporation	23	75	90	76	27	276	16
Gross Income							
Under $20,000	11	37	39	44	22	120	34
$20,000 to $29,999	36	60	77	107	34	259	62
$30,000 to $39,999	44	78	91	117	48	324	53
$40,000 to $49,999	18	69	89	123	36	290	40
$50,000 to $59,999	23	59	85	112	30	284	32
$60,000 to $74,999	36	88	107	146	33	385	27
$75,000 to $99,999	43	95	125	155	36	429	33
$100,000 to 199,999	58	156	232	192	37	652	31
$200,000 or more	29	74	90	79	14	280	9
Primary Source of Income							
Tax services	94	202	274	315	99	869	123
Accounting and write-up	198	499	641	750	188	2,101	197
Other (incl. auditing)	6	15	20	10	3	53	1

[1]Does not add to survey total because of 64 who did not answer.
[2]Does not add to survey total because of 34 who did not answer.

Return to: PRIESTLAND ASSOCIATES
P.O. Box 7045
Alexandria, Virginia 22307

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1981 NSPA MEMBERSHIP INCOME AND FEE SURVEY

1

SECTION I—CLASSIFICATION DATA

1 2 3 4 5

A. Geographic Area

1. Where do you practice?

City _____

State _____

6

2. What is the population of the community in which you practice? (Check one)

NOTE: If you practice in a suburban area of a large metropolitan area, please report the population size of the metropolitan area.

Under 25,000	____
25,000 to 49,999	____
50,000 to 99,999	____
100,000 to 499,999	____
500,000 to 999,999	____
1,000,000 or more	____

7

8

B. Size of your firm

If your firm is a *sole proprietorship*, is it a firm with (check one):

1. no other full-time employees____
2. one or more full-time employees ____

Excluding yourself and other principals, how many employees does your firm have?

Full Time _____ (number)
Part Time _____ (number)

9

10 11

12 13

If your firm is a *partnership* or *professional corporation*, how many partners or stockholders are there, including yourself? _____ (number)

C. Years in Practice

How many years have you been in public practice as a principal? _____ (number of years)

14 15

D. Size of GROSS Income *for Your Firm*, estimated 1981 (check one)

Under $20,000	____	$40,000 to $49,999	____	$ 75,000 to $ 99,999	____
$20,000 to $29,999	____	$50,000 to $59,999	____	$100,000 to $199,999	____
$30,000 to $39,999	____	$60,000 to $74,999	____	$200,000 or more	____

16

E. Size of NET *for Your Firm*, estimated 1981 (check one)

(Net income *before* taxes and any drawings and or salaries for principals, i.e., proprietor or partners)

Under $15,000	____	$25,000 to $29,999	____	$50,000 to $74,999	____
$15,000 to $19,999	____	$30,000 to $39,999	____	$75,000 to $99,999	____
$20,000 to $24,999	____	$40,000 to $49,999	____	$100,000 or more	____

17

F. Source of Firm's Gross Income

The largest proportion of my firm's gross income is derived from (check one):

Tax Services____ Write-up & Accounting____ Other____ (Explain) _____

_____

_____

18

SECTION II—FEES, INCOME, AND RELATED DATA ON THE FIRM

DO NOT USE

Tax Return Charges

1. What is your firm's charge for preparing the following Federal tax returns?

	Minimum Charge	Average Charge
Form 1040 not itemized	$_____	$_____
Form 1040 itemized	$_____	$_____
Form 1065 (Partnership)	$_____	$_____
Form 1120 (Corporation)	$_____	$_____

2. When preparing Federal, state and or city income tax returns, does your firm charge one fee for these returns or a separate fee for each return?

One Fee_____

Separate Fee _____

If SEPARATE FEE, is it:

a. a specified fee?_____

b. based on a percentage of the charge for the Federal tax return?_____

3. Do you charge any additional fee to represent your firm s clients in the event of an IRS audit?

Yes_____ No_____

IF YES, what is the basis for your fee?

	Check One	What is the fee?
a. Hourly fee	_____	$_____ per hour
b. Minimum fixed fee	_____	$_____ fixed fee

Client Characteristics and Billing Methods

4. How many clients, excluding those for whom you only prepare an income tax return, does your firm service regularly, either monthly, quarterly, or annually?

	Number
a. Monthly	_____
b. Quarterly	_____
c. Annually	_____

DO NOT USE

5. How many of the above clients are *primarily*

No. of clients

a. Write-up accounts
(the accountant provides a bookkeeping service, i.e., journals, ledgers, payrolls, etc., and preparation of periodic financial statements for these clients) _____

b. Accounting clients
(those clients having a bookkeeper on the premises and the accountant begins his service by working from a pre-adjusted trial balance) _____

c. Audit accounts
(those clients whose accounting records you inspect and which involve analyses, tests, reports, confirmations, proofs, opinions, or disclaimers) _____

6. Please estimate the percentage of your *FIRM'S* annual gross income derived from

a. Tax services
(preparation of returns, tax counseling, tax examinations, and representation of claims before tax authorities) _____%

b. Write-up work)
c. Accounting work) See definitions in No. 5, above. _____%
d. Auditing)

e. Management advisory services
(includes systems installations, investigations, cost analyses, and other consulting and management services) _____%

f. Other, please describe _____ _____%

Total Income 100 %

7. What percentage of your firm's billing is based on the following?

a. Fixed fee _____%
b. Hourly rate _____%
c. Other _____% (Explain) _____
Total billing 100 %

DO NOT USE

Hourly and Fixed Fee

8. What is your firm's average hourly fee (including overhead or burden) for performing the following types of service?

   a. Write-up accounts
   (the accountant provides a bookkeeping service, i.e., journals, ledgers, payrolls, etc., and preparation of periodic financial statements for these clients) $_____ — 39

   b. Accounting accounts
   (those clients having a bookkeeper on the premises and the accountant begins his service by working from a pre-adjusted trial balance) $_____ — 41

   c. Audit accounts
   (those clients whose accounting records you inspect and which involve analyses, tests, reports, confirmations, proofs, opinions, or disclaimers) $_____ — 43

   d. If your firm has only one fee for the above services, what is it? $_____ — 45

9. What is your firm's usual billing rate *per hour* (where applicable) for each type of staff employee and yourself? — 47

   a. Secretarial, stenographic and clerical $_____
   b. Junior accountant (0-2 years) $_____
   c. Semi-senior accountant (3-4 years) $_____
   d. Senior accountant (5 years & over) $_____ — 49 — 51
   e. Yourself, partners, or associates $_____ — 53

— — 56

10. If your firm has regular clients who are charged a fixed monthly fee, what is the:

   a. Highest monthly fee $_____ — — — 60
   b. Lowest monthly fee $_____ — — 63
   c. Average monthly fee $_____ — — — 67

11. Does your firm perform management advisory services?

   Yes_____ No_____ 68

   IF YES, what is your average rate per hour for this service?

   $_____ per hour — — 71

Office and Data Processing Equipment

12. What type of main office facilities does your firm have? (Check one) 72

   a. Own my office building (individually or with others)_____
   b. Office space is rented_____ Rent per month $_____ — — — 76
   c. The office is in my home_____ 77

DO NOT USE

13. Does your firm have tax returns prepared by a computer service bureau? _____Yes _____No — 3/5

If NO, do you plan to use computer equipment for the 1982 tax filing season? _____Yes _____No — 6

14. Does your firm use data processing other than for tax returns? _____Yes _____No — 7

If YES, does your firm (check a, b, or c) — 8

a. Own equipment?_____

b. Lease equipment?_____

c. Use a service bureau? (1) With input equipment on your premises_____ — 9
(2) With no input equipment on your premises_____

Past Income

15. What was your *FIRM's* income for the following years:

	Gross Income	Net income before taxes, drawings, or salaries to principals	
1979	$_____	$_____	13
1980	$_____	$_____	17
			21

Expected Income and Expenses for 1981 — 25

16. Please estimate, as accurately as your records permit, your *FIRM'S expected* 1981 income and expenses.

If your *FIRM'S* accounting year is calendar 1981 please estimate your firm's 1981 expected income and costs. If, however, the accounting period is not calendar 1981, please report your latest fiscal year earnings, providing that the fiscal year you report includes at least *six* months of 1981.

a. What do you expect your firm's total gross income will be in 1981? $_____ — 29

b. What do you expect your firm's employment costs will be in 1981?
(1) Wages and salaries for all employees, except principals
(includes vacation pay, sick leave, and overtime) $_____ — 33

(2) Firm's share of employment taxes and benefits for all employees, except principals
(includes retirement, group insurance, unemployment insurance, Social Security, bonuses, profit-sharing) $_____ — 37

Total Employment costs $_____ — 41

c. Gross profit of the firm (income less total employment costs) $_____ — 45

d. What do you expect your firm's total expenses (other than employment costs) will be in 1981? $_____ — 49

e. Net profit before taxes and drawings and or salaries to principals of the firm $_____ — 53

17. If you are one of several partners or principals, please indicate what your share of the net profit will be. $_____ — 57

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SECTION III—PROFILE OF THE ACCOUNTANT

To be answered by the proprietor or senior partner.

18. Are you a certified, licensed or registered practitioner? _____Yes _____No 58

19. Are you enrolled to practice before the IRS? _____Yes _____No 59

20. Please indicate the highest school level completed: 60

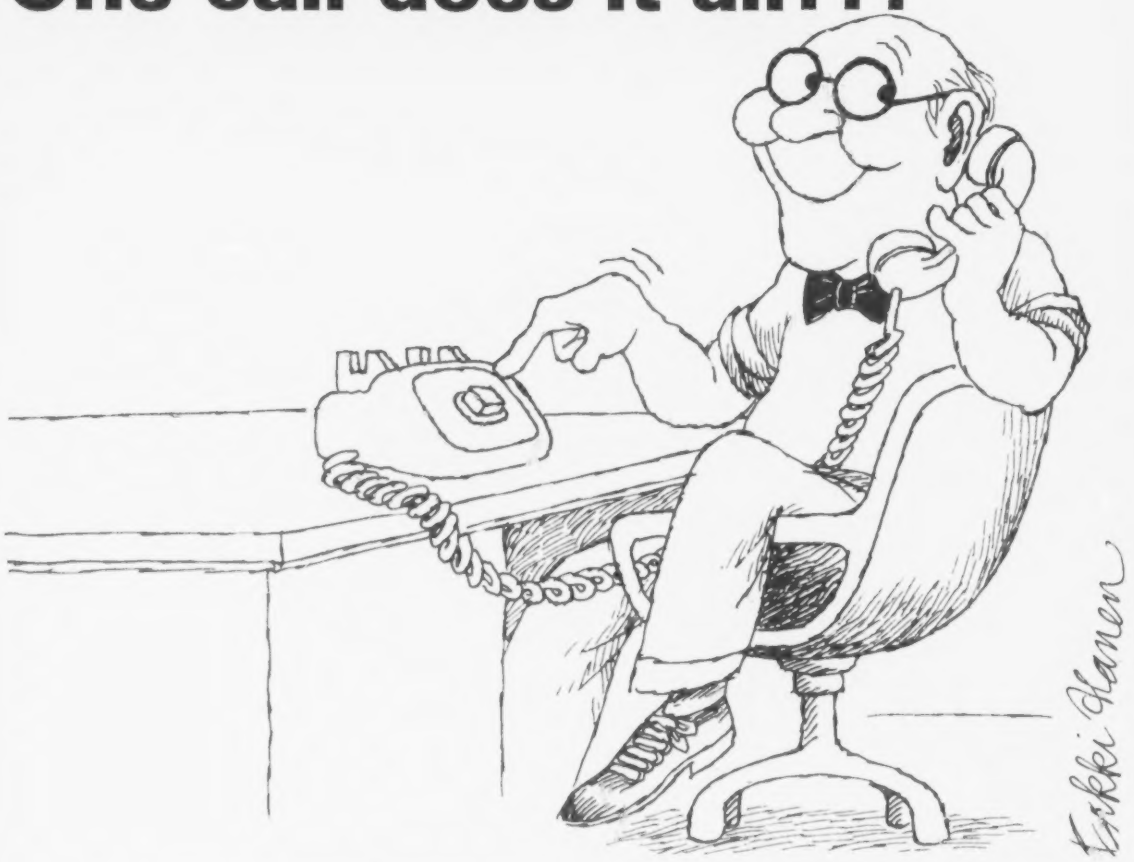
High School—1 year _____
2 years_____
3 years_____
4 years_____

College—1 year _____
2 years_____
3 years_____
4 years_____
More than 4 years_____

21. What was your age on your last birthday?_____ 61 62

22. Sex: Male____ Female____ 63

One call does it all...



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